VOL 16 No 4 APRIL 1986

SURVEY of Current Affairs

Government and Administration

The Civil List 107
By-election and State of the Parties 107
Recent Legislation 108
Local Government Reorganisation 108
Criminal Justice: Plans for Legislation 109

External Affairs and Defence

Libya 113
South Africa: Employment Practices by British Companies 117
Shorter Note
Aid to Bangladesh 119

Economic and Scientific Affairs

The Budget 1986 120
Reform of Personal Taxation 126
Shorter Notes
Marine Pilotage 128; Liberalisation of Telecommunications Services 129

Social and Cultural Affairs

International Conference on Drug Misuse 130
New Controls on Cigarette Advertising 131
Shorter Note
Equal Retirement Ages for Men and Women 132

Documentation 133

Prepared for the Foreign and Commonwealth Office by Reference Services, Central Office of Information and published by Her Majesty's Stationery Office, London

Annual subscriptions including postage and index £22·50

The *Survey of Current Affairs* is produced primarily for use overseas, but in response to requests has also been made available in Britain. Subscription and distribution inquiries should be addressed to HMSO Books, P.O. Box 276, London SW8 5DT, and editorial inquiries to Reference Services, Central Office of Information, Hercules Road, Westminster Bridge Road, London SE1 7DU. Although the material is Crown Copyright, it may be reproduced without special permission.
Other documents produced by Reference Services, if not on sale through Her Majesty's Stationery Office, may be obtained direct from the Overseas Distribution Unit, Central Office of Information, at the above address on payment of a small charge.

GOVERNMENT AND ADMINISTRATION

The Civil List

The amounts payable to members of the Royal Family under the Civil List Acts to finance expenditure incurred in carrying out their official duties in 1986 have been announced by the Chancellor of the Exchequer.

The proposed sums were announced by the Chancellor of the Exchequer, Mr Nigel Lawson, on 18 March (*Hansard*, Vol 94, No 81, written answers, cols 97-8). They represent in total an increase of 4 per cent over 1985 (figures for which are given in brackets) and are as follows.

	1986 £
The Queen's Civil List	4,136,800 (3,976,200)
Queen Elizabeth, the Queen Mother	359,100 (345,300)
The Duke of Edinburgh	200,300 (192,600)
Princess Anne, Mrs Mark Phillips	124,800 (120,000)
Prince Andrew	20,000 (20,000)
Prince Edward	20,000 (20,000)
Princess Margaret	121,500 (116,800)
Princess Alice, Duchess of Gloucester	49,200 (47,300)
The Duke of Gloucester	97,800 (94,000)
The Duke of Kent	132,000 (127,000)
Princess Alexandra, the Hon Mrs Angus Ogilvy	125,800 (120,900)
Total	5,387,300 (5,180,100)
Refunded by the Queen	355,600 (341,900)
	5,031,700 (4,838,200)

The sum refunded by the Queen to the Consolidated Fund is equivalent to the payments to the Duke of Gloucester, the Duke of Kent and Princess Alexandra.

The annual sum of £20,000 payable to Prince Andrew will be increased to £50,000 after his marriage to Miss Sarah Ferguson on 23 July 1986 (their engagement was announced on 19 March). Prince Edward will receive £14,000 in 1986, the balance being accumulated by the Royal Trustees.

No special provision is made for the Prince of Wales who is entitled to net revenues from the Duchy of Cornwall although he surrenders a quarter of these to the Exchequer.

By-election and State of the Parties

Details of the result of a recent parliamentary by-election and the present state of the parties in the House of Commons are given below.

The Labour Party gained the seat at Fulham in a parliamentary by-election on 10 April. The seat became vacant following the death in January of the Conservative MP, Mr Martin Stevens. The Labour candidate, Mr Nick Raynsford, won by a majority of 3,503 votes.

The results were as follows:

Nick Raynsford (Labour)	16,451
Matthew Carrington (Conservative)	12,948
Roger Liddle (Social Democratic/Liberal Alliance)	6,953

Eight other candidates between them received a total of 732 votes; all lost their deposits.

Votes were cast by 70 per cent of the electorate.

At the general election in June 1983, when 76·1 per cent of the electorate voted, the seat was held by the Conservative Party with Mr Stevens polling 18,204 votes, followed by the Labour candidate with 13,415 votes, and the Alliance candidate with 7,194 votes.

State of the Parties

Following the by-election, the state of the parties in the House of Commons is now as follows:

Conservative	390
Labour	208
Liberal	18
Social Democratic	7
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Ulster Unionist (Northern Ireland)	10
Democratic Unionist (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	2
Sinn Fein (Northern Ireland)	1
[Vacant (Derbyshire West and Ryedale)	2]
TOTAL	646

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The government majority over all the other parties is 136 although the Sinn Fein MP has not taken his seat.

Recent Legislation

The public Acts of Parliament passed between November 1985 and 27 March 1986 when the Easter adjournment started are listed below. Three Acts were introduced by private members; these are indicated by asterisks.

Agricultural Holdings Act 1986. Consolidates legislation relating to agricultural holdings. Royal Assent: 18.3.86. Ch 5, ISBN 0 10 540586 8, HMSO, £8·80.

Atomic Energy Authority Act 1986. Provides for the financial restructuring of the United Kingdom Atomic Energy Authority to enable it to operate on a 'trading fund' basis (see p 84, 1985). Royal Assent: 19.2.86. Ch 3, ISBN 0 10 540386 5, HMSO, £1·35.

Australia Act 1986 (see pp 40-1). Royal Assent: 17.2.86. Ch 2, ISBN 0 10 540286 9, HMSO, £1·85.

Consolidated Fund Act 1986. Gives parliamentary authority for sums to be issued out of the Consolidated Fund to meet the Government's expenditure requirements. Royal Assent: 18.3.86. Ch 4, ISBN 0 10 540486 1, HMSO, 40p.

Consolidated Fund (No 3) Act 1985. Gives parliamentary authority for sums to be issued out of the Consolidated Fund to meet the Government's expenditure requirements. Royal Assent: 19.12.85. Ch 74, ISBN 0 10 547485 1, HMSO, 40p.

Education (Amendment) Act 1986. Increases the limit on expenditure approved for education support grant purposes so that the cost of midday supervision in schools can be met from this source. Royal Assent: 17.2.86. Ch 1, ISBN 0 10 540186 2, 40p.

European Communities (Spanish and Portuguese Accession) Act 1985. Gives legal force in the United Kingdom to the instruments of accession of Spain and Portugal to the European Community. Royal Assent: 19.12.85. Ch 75, ISBN 0 10 547585 8, HMSO, 40p.

**Law Reform (Parent and Child) (Scotland) Act 1986.* Makes fresh provision regarding the consequences of birth out of wedlock, the rights and duties of parents, the determination of parentage and the taking of blood samples in relation to the determination of parentage; and amends the law on guardianship. Royal Assent: 26.3.86. Ch 9, ISBN 0 10 540986 3, HMSO, £2·80.

Local Government Act 1986 (see p 375, 1985). Royal Assent: 26.3.86. Ch 10, ISBN 0 10 541086 1, HMSO, £2·30.

**Marriage (Wales) Act 1986.* Extends to Wales the provision in the Marriage Act 1949 which states that where two or more benefices are held in plurality, the bishop of the diocese in which the benefices are situated may direct where banns of matrimony may be published and where marriages may be solemnised. Royal Assent: 18.3.86. Ch 7, ISBN 0 10 540786 0, HMSO, 40p.

Museum of London Act 1986. Makes provision regarding the composition and the functions of the Board of Governors of the Museum of London and the funding of the Museum. Royal Assent: 26.3.86. Ch 8, ISBN 0 10 540886 7, HMSO, £1·35.

Northern Ireland (Loans) Act 1985. Increases the limit on the level of loans made under the Northern Ireland (Loans) Act 1975. Royal Assent: 19.12.85. Ch 76, ISBN 0 10 547685 4, HMSO, 40p.

**Prevention of Oil Pollution Act 1986.* Prohibits the discharge from vessels of oil or mixtures containing oil into certain United Kingdom waters, and deals with other related matters. Royal Assent: 18.3.86. Ch 6, ISBN 0 10 540686 4, 40p.

Local Government Reorganisation

The Local Government Act 1985, which is designed to create a more effective, economical and accountable system by removing the upper tier of local government in Greater London and the six metropolitan counties (see pp 353-6, 1983, and pp 5-7, 1985), took effect on 1 April with the abolition of the Greater London Council and the metropolitan county councils.

As a result, most of the functions previously carried out by the Greater London Council and the metropolitan county councils of Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire have been transferred to the London borough and metropolitan district councils. A small number of services (namely, waste regulation and disposal in certain areas; the police, fire services, including civil defence, and public transport in the metropolitan counties; and the fire service and civil defence in London), which require a statutory authority over areas wider than the boroughs and districts, are now run by joint authorities composed of elected councillors nominated by the borough or district councils. Education in inner London is now the responsibility of a new, independent and directly elected Inner London Education Authority. The first elections to the new Authority will be held in May, at the same time as the elections to the London borough councils.

Special transitional bodies (residuary bodies) have been appointed to take responsibility for certain residual county council and Greater London Council matters. These include compensation, unassigned legal rights and liabilities and disposal of surplus property

and, where appropriate, the management of debt and the superannuation fund. The residuary bodies are required to prepare proposals to wind up their affairs as soon as practicable.

Criminal Justice: Plans for Legislation

Further measures to strengthen and modernise the powers of the courts for dealing with criminal offenders and helping their victims were proposed in a White Paper published on 6 March. The proposals include increased maximum sentences, further steps to seize criminals' assets, easier extradition arrangements, measures to facilitate the prosecution of fraud, options for jury reform and better arrangements for compensating victims of crime. These proposals complement a wide range of measures already introduced by the Government to prevent, deter, detect and punish crime, and will be brought forward in a new Criminal Justice Bill. Two consultative papers, associated with the White Paper, on the distribution of court business and on custodial sentences for young offenders, were published at the same time.

STATEMENT BY HOME SECRETARY

Commenting on the proposals on the publication of the White Paper, the Home Secretary, Mr Douglas Hurd, said that the measures were the next main stage in the Government's steadily developing strategy for dealing with domestic and international crime. They were therefore high in the Government's priorities. The Government had already greatly strengthened police resources and stood ready to respond to further demonstrated need; police powers had been extended together with well-defined safeguards; and Bills further strengthening police and court powers in respect of drug trafficking and public order were now before Parliament (see p 111). A new national prosecution system would start work this year (see pp 147-8, 1985); substantial building programmes were in progress for both courts and prisons; and a nationwide crime prevention drive, which was already achieving successes at the local level, had been launched.

The next step would be a wide range of measures to be brought forward in a new Criminal Justice Bill to overhaul the powers and procedures of the courts, which were the essential underpinning of the fight against crime. The measures would contribute directly both to the effective and fair working of the criminal justice system and to public confidence in it, and would mark the greater regard which society now paid to the position of the victims of crime.

THE WHITE PAPER

In drawing up the proposals contained in the White Paper,[1] the Government's main objectives have been:

1 to ensure that the courts have an adequate range of powers to enable them to punish the most serious offenders with the right measure of severity and to enable less serious offenders to be dealt with effectively in the community;

2 to ensure that the court system and its related services operate as efficiently and as effectively as possible;

3 to increase the effectiveness of the international fight against crime by improved arrangements for extradition; and

4 to improve the provision which is made for victims.

A summary of the main proposals is given below.

Sentencing and Powers of the Courts

Penalties for Offences

The Paper proposes to increase from 14 years to life imprisonment the penalties under the Firearms Act 1968 for carrying firearms in the furtherance of crime. These proposed increases are intended to demonstrate emphatically that the carrying of firearms by criminals, whether or not they are used, is regarded by society as an offence of the highest possible gravity. It is also proposed to increase the maximum penalty for certain offences of corruption from two to seven years. The offences concerned are contained in the Public Bodies (Corrupt Practices) Act 1889 and the Prevention of Corruption Act 1906, under which seven years is the maximum only in connection with public contracts, and not for other forms of corruption. The Government also intends to extend the arrangements for inflation-proofing the maximum fines which can be imposed by magistrates for summary offences.

Sentencing Practice

The Government considers that some arrangement is needed to strengthen the role of the Court of Appeal in giving public guidance on sentencing policy. An earlier proposal – to enable apparently over-lenient sentences in particular cases to be referred by the Attorney General to the Court of Appeal – was defeated in the House of Lords during the passage of the Prosecution of Offences Act (see pp 147-8, 1985). But public interest in sentencing remains strong and persistent, and, with a view to reinforcing public confidence in sentencing practice, the Government intends to include in the proposed Criminal Justice Bill an alternative proposal which would give statutory force to the existing arrangements by which the Court of Appeal gives sentencing guidelines to the Crown Court through the Judicial Studies Board. The Board would be given authority to publish these guidelines, in a much more coherent and accessible form, as a guide for both sentencers and the public.

Sentencing Options

The White Paper discusses a range of sentencing options including:

Intermittent Custody. In a consultative document published in 1984 (see p 283, 1984), the Government examined the case for a new, semi-custodial sentence involving detention for only part of the day or part of the week, as a further alternative to full custody. The responses to the document suggested that existing powers already catered adequately for most of those

[1] *Criminal Justice: Plans for Legislation.* Cmnd 9658, HMSO, £2·80, ISBN 0 10 196580 X.

who might be suitable for such a sentence, and that there was no significant measure of agreement on the form a new sentence might take. Accordingly the Government has decided not to pursue the idea.

Detention in Police Cells. The Government proposes to repeal section 134 of the Magistrates' Courts Act 1980 which enables magistrates to order offenders to be detained for up to four days in police cells. Its view is that if there were to be a sentence involving sustained overnight detention other than in prison, it should involve accommodation and supervising agencies suitable for that purpose.

Reparation between Offenders and Victims. The Government is also considering whether the courts should be given additional powers in relation to reparation between offenders and victims. The Government is funding several experimental schemes (operating under the existing limited powers) in order to examine the potential of reparation further and to shed light on some of the practical issues which arise. The relevant issues are set out in more detail in a recent consultative paper (see p 111).

Confiscation of Assets. The Government recognises that there is concern to improve courts' powers to deprive convicted offenders of the proceeds of their crimes. The special concern over drug trafficking has led to the Drug Trafficking Offences Bill, which is now before Parliament (see pp 69-70), and the Government would welcome comments on the extent to which these arrangements should be extended to other offences.

Forfeiture of Property. It is proposed to strengthen the powers of courts to order the forfeiture of property used in connection with crime. The present general powers only apply to offences punishable with more than two years' imprisonment or more, to goods in the offender's possession or control at the time of arrest, and to goods used, or intended for use, in committing an offence. The Government's proposal is to extend the general power to all offences, to property lawfully seized at any time, and to goods of which possession is itself an offence.

Young Offenders

The Government proposes that there should be power for those with short youth custody sentences to be held in detention centres, which at present are underused for large parts of the year. Some offenders receiving short youth custody sentences of between four and six months have very short periods left to serve after time spent on remand and remission have been taken into account, but there is at present no means by which they could be held other than in youth custody centres or prisons. At the same time, the number of places available for those sentenced to more than 18 months and therefore not guaranteed a place in a youth custody centre is reduced and these offenders have to serve their sentences in adult prisons, where overcrowding can be severe.

The Government's proposal to hold in detention centres those with short youth custody sentences (after allowance for time spent on remand in custody and for remission) would allow a more efficient use of resources, and be consistent with the principle that short terms should be served in detention centres and longer terms under youth custody regimes.

The Government also proposes to strengthen courts' powers in relation to supervision orders imposed on juveniles in criminal proceedings (see p 111). It is also considering whether courts should be able to impose conditions on parents in such cases.

Victims of Crime

The Government proposes to enhance the powers of the courts to order offenders to pay compensation to their victims by requiring a court to give reasons for not awarding compensation for injury, loss or damage; by relaxing the restrictions on courts' powers to order payment of compensation to dependants and relatives in fatal cases; and by permitting the proceeds of the sale of forfeited property to be used to compensate victims.

The Paper also suggests placing the Criminal Injuries Compensation Scheme on a statutory basis. This would confer on eligible applicants a definite right to receive compensation. An interdepartmental working party has been reviewing the scheme in readiness for placing it on a statutory footing. Its report will be published, together with the Government's proposals on the content of the statutory scheme.

Procedural Changes

The Paper considers a number of changes in the system relating to, among other things, juries and fraud trials.

Juries

To maintain the effectiveness and integrity of the system of trial by jury, close attention has been given to concern expressed in particular about the use of the system of peremptory challenge, which allows defence counsel for each defendant on trial, without giving reasons, to remove up to three potential jurors from the jury.

The White Paper asks whether this arbitrary challenge should continue to be part of a system which aims to provide a jury comprising a random selection of those eligible to serve; whether there is a satisfactory alternative means of protecting the defendant's legitimate rights; and whether legislative change is necessary. It invites comments on three possible legislative options: abolition of the right of peremptory challenge (a course recommended in the report of the Fraud Trials Committee chaired by Lord Roskill – see pp 35-6); a reduction in the number of peremptory challenges from three to one or two for each defendant; and a special limit in multi-defendant cases. The Government intends to give further consideration to these possibilities and is arranging for the use of peremptory challenge and of the equivalent right of the prosecution to ask a potential juror to stand down to be monitored.

Comment is also invited on a proposal to increase the upper age limit for potential jurors from 65 to 70, on the basis that people between 65 and 70 would be eligible to serve as jurors, but would not be obliged to do so.

Fraud Trials

The White Paper discusses some of the issues raised in Lord Roskill's report on fraud trials, which suggested

fundamental changes in the way in which fraud is investigated and prosecuted. The Government is determined to bring about the necessary changes in the law and will give urgent consideration to the proposals made by the Roskill committee in the light of parliamentary and public reaction to them: the Criminal Justice Bill will include many of the report's recommendations. The White Paper summarises the arguments for and against the controversial recommendation made by Lord Roskill that, in complex fraud cases, a tribunal should replace a jury and it invites comments on this recommendation.

Other Changes

Also included in the proposed Bill are changes to the present prison disciplinary system and an amendment to the Immigration Act 1971 to create a continuing offence of overstaying a time-limit. Other procedural changes considered include various technical changes relating to appeals procedure, amendment of bail provisions, and revised enforcement procedures.

Extradition

In the light of comments following the publication in 1985 of its consultative paper on the law of extradition (see p 87, 1985), the Government is proposing to make a number of changes to the now outdated framework of the Extradition Act 1870, recognising the huge expansion in international crime and the difficulties faced by foreign states in seeking to extradite people to face criminal charges. (The proposals would not affect Commonwealth countries, which are subject to separate legislation under the Fugitive Offenders Act 1967.)

The main proposal is to abolish the requirement for the requesting state to establish a *prima facie* case against the fugitive, according to English rules of evidence. The Government believes that there are other effective ways in which the rights of the fugitive are protected; the Home Secretary would retain an overriding discretion to withhold extradition.

Other proposals are to allow extradited offenders to face further charges with the Government's consent; to provide for re-extradition with the Government's consent; to provide for *ad hoc* extradition; to define extraditable offences as all those which attract a penalty of at least 12 months' imprisonment; and to establish a separate jurisdiction for Scotland.

Application of Proposals to Scotland

Most of the proposals in the White Paper apply to England and Wales only, but a number also extend to Scotland, for example, those on extradition (the Extradition Act 1870 applies to Scotland) and for a statutory criminal injuries compensation scheme (the existing scheme operates there); and – since it is clearly desirable for penalties for offences in statutes applying throughout the United Kingdom to be uniform – the following proposals would also extend to Scotland: the increase of maximum penalty for using firearms in furtherance of crime and for corruption offences; the inflation-proofing of exceptional maximum summary fines and of those specified in subordinate legislation; and the continuing offence of overstaying by immigrants.

THE CONSULTATIVE PAPERS

Two consultative documents,[1] associated with the White Paper, were also published on 6 March. Outlines of their contents are given below.

Distribution of Court Business

The paper describes the great and increasing pressure of work in the Crown Court. Between 1979 and 1984 the number of cases committed for trial increased by about 48 per cent, from 50,800 to 75,300. It has proved difficult to avoid significant increases in waiting times, and while the Government is taking steps (including the introduction of statutory time limits – see pp 147-8, 1985) to tackle the problem of pre-trial delay, it also seems timely to consider again the distribution of business between the upper and lower courts.

The Government proposes that three offences which can now be tried either summarily in the magistrates' court or by trial in the Crown Court should be triable only in the magistrates' court, with maximum penalties of six months imprisonment and/or a £2,000 fine. These are:

1 common assault, which can in certain circumstances still be tried on indictment;

2 driving while disqualified; and

3 taking a motor vehicle without the owner's consent.

These three offences account together for about 4 per cent of those committed for trial and 6 per cent of those convicted at the Crown Court, but a rather smaller percentage of court time.

The paper also invites comments on a proposal that minor cases of theft should no longer involve trial in the Crown Court, but jury trial would be available where the magistrate considered that special circumstances made the offence one of exceptional gravity. Another alternative would allow defendants with no previous convictions for dishonesty to insist on jury trial.

Custodial Sentences for Young Offenders

Emphasising its view that custodial sentences should be used only where no other method of dealing with the young offender is appropriate, the Government invites comments on two aspects of the present custody system.

First the paper considers the present law which restricts to 12 months at a time the total period of youth custody to which a juvenile offender may be sentenced. However, it is possible for juveniles to be sentenced to longer terms for offences where the maximum penalty in the case of an adult is 14 years or more imprisonment. For such offences, the maximum period of detention is the same as the maximum prison term for an adult. There is a range of cases, probably small in number, where detention under the present law is not available but which are so serious that a sentence of 12 months may seem inadequate.

The document invites views on whether the problem which such cases may present justifies a change in the law. It considers a number of possible changes:

[1] *Distribution of Court Business* and *Custodial Sentences for Young Offenders*, both available free from Room 1102 (for the first paper) and Room 323 (for the second paper), Home Office, Queen Anne's Gate, London SW1H 9AT.

setting a higher limit; retaining the existing 12-month limit but giving the court power to impose longer terms in 'exceptional cases'; and specifying certain offences (of violence) for which the 12-month limit would not apply.

Second, the paper considers the absence, under the present law, of a power of the courts to suspend custodial sentences imposed on young offenders, and considers the case for allowing either full or partial suspension of such sentences.

EXTERNAL AFFAIRS AND DEFENCE

Libya

Britain has reaffirmed the need to defeat terrorism and the right of states to defend themselves against the threat of attacks directed, promoted and organised by another state. Following recent terrorist attacks organised by Libya against the United States, the British Government gave permission for United States aircraft based in Britain to be used in an attack on centres of terrorism in Libya which took place on 15 April. It also emphasised the need for European Community member states to close Libyan diplomatic missions in their own countries. Earlier, in March, following an attack by Libyan defence forces on United States aircraft over the Gulf of Sirte, Britain emphasised its commitment to the principles of freedom of navigation in international waters and freedom of air traffic in international air space.

The Libyan situation and the British Government's policy towards it were the subject of an adjournment debate in the House of Commons on 16 April (*Hansard*, Vol 95, No 94, cols 875-958). At the end of the debate the House voted in support of the Government's policy by 325 votes to 206, a government majority of 119.

BACKGROUND

Relations between the United States and Libya have been strained by a series of international developments and incidents over a number of years. In 1979 the US embassy in Tripoli was set on fire, and in 1981 there was a clash between United States and Libyan aircraft over the Mediterranean, when two Libyan jets were shot down. In the same year the United States suspended diplomatic relations with Libya. The United States regards the government of Colonel Muammar Qhadafi, the Libyan leader, as a destabilising force in the Middle East and a principal source of international terrorism, claiming that it encourages, endorses and supports terrorist activities around the world. In particular, the United States accuses Libya of complicity in a series of recent terrorist attacks on American targets. Britain, too, has suffered from Libyan acts of terrorism. In 1980 prominent opponents of the Libyan regime were assassinated in London, and, in April 1984, following an incident when shots were fired from the Libyan People's Bureau in London killing a woman police constable and injuring several others, Britain broke diplomatic relations with Libya (see p 161, 1984). In addition, Libya has supplied money and weapons to terrorists operating in Northern Ireland.

In January 1986, following terrorist attacks on Rome and Vienna airports in December 1985, in which 19 people, five of whom were United States citizens, were killed, the United States imposed economic sanctions on Libya in response to what was termed 'Libya's use and support of international terrorism aimed at American citizens and others'. The sanctions included a total ban on direct trade with Libya and prohibited transactions related to or activities in Libya by United States citizens. President Reagan also urged the 1,000 United States citizens working in Libya to return home and froze Libyan government assets in United States banks and their subsidiaries abroad. At the same time, the United States sought the support of other Western countries. Britain, however, together with its European partners, took the view that economic sanctions would only work if every country applied them, which was not likely to be the case with Libya.

Relations between the two countries deteriorated further following an attack on 24 March by Libyan forces on United States aircraft and subsequent strikes by United States forces on Libyan patrol boats and missile installations in the region of the Gulf of Sirte (see p 117). Following these events, statements broadcast on Libyan radio and television called for attacks on United States embassies and other targets, and, in a speech in Tripoli on 9 April, Colonel Qhadafi said that in the event of any future confrontation with the United States, Libya would spread violence against the United States, its civilians and military interests throughout the world.

On 5 April a terrorist bomb exploded at a discotheque in West Berlin, killing two people, one of them a United States soldier, and injuring 230 others, many of whom were United States military personnel. This followed an attack on a United States airliner, flying between Rome and Athens, on 2 April, when a bomb exploded, killing four United States citizens. Following a statement by President Reagan on 9 April that the United States would take action against any country it believed responsible for the terrorist attacks, the United States Ambassador to the United Nations, General Vernon Walters, visited a number of European capitals for consultations with European leaders. The European Community foreign ministers held an emergency meeting in The Hague on 14 April and issued a statement identifying Libya as a source of support for international terrorism, condemning all acts of terrorism and appealing for restraint on all

sides with respect to the crisis in the Mediterranean (see p 116).

Following analysis of intelligence reports, which indicated direct Libyan involvement in the West Berlin attack, United States air and naval forces launched a series of strikes on 15 April against military headquarters and installations and terrorist facilities in Tripoli and Benghazi. Some of the aircraft used in the attack, F-111 bombers, left from United States military bases in Britain. The United States claimed the raid achieved its military objectives, though reports indicated that non-military areas were also hit and that there were a number of civilian casualties.

President Reagan's Statement

In a televised statement on 15 April the United States President, Mr Ronald Reagan, said that the bombing mission, which had been carefully targeted to minimise casualties among the Libyan people, had been in response to the terrorist bombing of a nightclub in West Berlin. The United States had conclusive evidence that the bombing had been planned and executed under the direct orders of the Libyan regime. Some weeks earlier, Mr Reagan added, the United States had warned Colonel Qhadafi that it would hold his regime accountable for any new terrorist attacks launched against its citizens.

The evidence showed that on 25 March, orders had been sent from Tripoli, the Libyan capital, to the Libyan People's Bureau in East Berlin to conduct a terrorist attack in order to cause maximum and indiscriminate casualties. Libya's agents had then planted the bomb. On 4 April the People's Bureau had alerted Tripoli that the attack would be carried out the following morning and, on the next day, had reported back on the great success of the mission. This evidence, the President emphasised, was direct, precise and irrefutable.

The United States also had solid evidence about other attacks planned by Colonel Qhadafi against United States installations, diplomats and tourists. Thanks to close co-operation with the United States' allies, some of these had been prevented. One such attack – a planned massacre, using grenades and small arms, of civilians queueing for visas at the American embassy in Paris – had, with the help of the French authorities, been aborted.[1]

Colonel Qhadafi was an enemy not only of the United States, Mr Reagan said. His record of subversion and aggression against neighbouring states in Africa was well documented. He had ordered the murder of fellow Libyans in countless countries and had sanctioned acts of terror in Africa, Europe and the Middle East, as well as in the Western hemisphere.

There was no security or safety in the appeasement of evil, he went on, and it had to be central to Western policy that there should be no sanctuary for terror; in order to sustain such a policy, free men and free nations had to unite and work together. The United States could not ignore the slaughter of its civilians and soldiers and would respond whenever and wherever its citizens were abused or attacked. Such self-defence was not only a right but a duty, and was the purpose behind the mission undertaken in Libya, which was fully consistent with article 51 of the United Nations Charter.[1]

Moreover, the United States believed that this pre-emptive action against Colonel Qhadafi's terrorist installations would not only diminish his capacity to export terror, but would provide him with incentives and reasons to alter his criminal behaviour.

[1] France subsequently expelled two members of the Libyan People's Bureau in Paris for their involvement in the plot.

PARLIAMENTARY DEBATE

Prime Minister's Speech

Opening the debate in the House of Commons on 16 April, the Prime Minister, Mrs Margaret Thatcher, said that when the Government had decided to support United States military action taken in self-defence against terrorist targets in Libya, it had been aware of the wider issues and of people's fears. Because terrorism attacked free societies and played on those fears, it had to be defeated. When other ways and other methods had failed, it was right that the terrorist should know that firm steps would be taken to deter him from attacking either other peoples or his own people who had taken refuge in free countries. The civilian casualties caused by the United States action were a matter of great sorrow, Mrs Thatcher said, but also remembered with sadness were all the men, women and children who had lost their lives as a result of terrorist acts over the years, many of which had been carried out at the Libyan Government's behest.

Evidence pertaining to the Libyan Government's involvement in terrorist attacks against the United States and other Western countries derived from secret intelligence and as such could not be published in detail, for to do so could jeopardise reliable sources of timely and vital information. Giving details of the evidence of Libyan involvement in the Berlin bombing (see p 113), Mrs Thatcher said that the Government was satisfied that Libya bore a wide and heavy responsibility. Britain, too, had suffered from Libyan terrorism, as instanced by the murder of a woman police constable in London in 1984 (see p 113). It was also beyond doubt that Libya provided the Provisional IRA with money and weapons. A major find of arms in the Irish Republic in January had included rifles and ammunition from Libya.

There was also evidence of Libyan support for terrorism in a number of other countries. As well as the recent plot in France (see above), Mrs Thatcher referred to an attempt to attack the United States embassy in Beirut on 6 April, which, known to have been undertaken on Libyan government instructions, had failed when the rocket had exploded on launch. It was equally clear that Libya had been planning more attacks, Mrs Thatcher continued. The United States had evidence that its citizens were being followed and embassies watched by Libyan intelligence agents in a number of countries. Further specific evidence existed, but could not be detailed, of Libyan involvement in past acts of terrorism and in plans for future terrorist acts.

Addressing the subject of the use of non-military measures to combat terrorism, Mrs Thatcher said that there had been many international declarations against terrorism, including those by the London economic summit in June 1984 (see p 219, 1984); by the

[1] Article 51 of the United Nations Charter concerns the right of self-defence in the event of armed attack.

European Council in Dublin in December 1984 (see pp 432-4, 1984); and by the United Nations General Assembly in December 1985. The United States had closed the Libyan People's Bureau in Washington and imposed economic sanctions against Libya, and Britain had taken its own measures, closing the Libyan People's Bureau in London and breaking diplomatic relations with Libya in 1984. Neither international condemnation nor peaceful pressure over the years had deterred Libya from promoting and carrying out acts of terrorism.

It had been against that remorseless background of terrorist atrocities and against the background of restrained peaceful response, that the case had been raised for military action under the inherent right of self-defence to deter planned Libyan terrorist attacks against United States targets. Mrs Thatcher said that President Reagan had informed her during the previous week that the United States had intended to take such action. He had sought Britain's support under the consultation arrangements which had continued under successive governments for over 30 years. He had also sought necessary British agreement to the use of United States aircraft based in Britain.

In the exchanges which had followed, a number of questions and concerns had been raised by Britain, in particular, the principle of self-defence, recognised in article 51 of the United Nations Charter, and the consequent need to limit the action and to relate the selection of targets clearly to terrorism. The British Government had pondered deeply the obvious risks in what had been proposed, for such decisions were never easy. It had also considered the wider implications, including Britain's relations with other countries, and had had to weigh the importance for Britain's security of its alliance with the United States and the United States' role in the defence of Europe. Mrs Thatcher said that President Reagan had been informed that Britain would support action directed against specific Libyan targets demonstrably involved in the conduct and support of terrorist activities and that United States aircraft from bases in Britain could be used for that specific purpose if necessary. In response the President had stated that the operation would be limited to clearly defined targets related to terrorism and that every effort would be made to minimise collateral damage. He had made it clear that the use of F-111 aircraft from bases in Britain was essential: had Britain refused permission for the use of these aircraft, the United States operation would still have taken place, but more lives would probably have been lost, both on the ground and in the air. In the exchanges, Mrs Thatcher had reserved Britain's position on the question of any further action which might be more general or less clearly directed against terrorism. It was clearly understood that any further action involving United States aircraft based in Britain would be the subject of a new approach under the joint consultation arrangements.

Some Members of Parliament had questioned whether the United States action would be effective in stopping terrorism or would instead quicken the cycle of violence in the Middle East. The violence had begun long ago and had already taken a great many lives, the Prime Minister said. It had not been so much a cycle of violence as a one-sided campaign of killing and maiming by ruthless terrorists, many with close connections with Libya. In the very short term, it had to be expected that other Arab countries would issue statements of support for Libya, but it remained to be seen how profound or durable that support would be. Moderate Arab governments and moderate governments everywhere had nothing to gain from seeing Colonel Qhadafi build up power and influence by persisting in policies of violence and terror. Their interests, in common with Britain's, lay in seeing the problems of the Middle East solved by peaceful negotiation, whose chances of success would be much enhanced if terrorism could be defeated.

Noting that concern had been expressed about the effects of the United States action on relations between East and West, Mrs Thatcher said that the United States had informed the Soviet Union that it had conclusive evidence of Libyan involvement in terrorist activities; that limited military action was being taken; and that it was in no way directed against the Soviet Union. Referring to the Soviet cancellation, on 15 April, of the planned May meeting between the Soviet Foreign Minister and the United States Secretary of State, the Prime Minister said that if the Soviet Union was really interested in arms control, it would resume senior ministerial contacts before long.

Opposition Views

The Leader of the Opposition, Mr Neil Kinnock, pointed out that the House was united and firm in its view that terrorism was evil, cowardly and a completely unjustifiable way of advancing any cause; the real question was how to respond effectively to terrorism and terrorists. The traditional British policy for dealing with terrorism – diplomatic sanctions, tightened security, a readiness to take action when terrorists were caught and cornered, and a refusal to trade hostages or make any concessions – had to be maintained, and strong commercial, economic, diplomatic and political sanctions needed to be taken against the Libyan regime which was financing and sponsoring terrorism throughout the world. The Government, by supporting the United States' action, had been wrong to depart from the commonsense and legality of British anti-terrorist policy, to neglect the impact that the action would have on moderate Arab states, and to disregard the reservations of its European allies. Since terrorists were scattered throughout towns, cities and villages, the idea of mass retribution by mass military force was impractical and a dangerous course for future action. Reprisals would provoke, not prevent, terrorism and any subsequent pause in such a strategy would be seen as irresolution and weakness by the terrorists and encourage them to further atrocities. Mr Kinnock disagreed with the Government's interpretation of international law and self-defence and pointed to the impracticality of hitting back at terrorism with military force and the inhumanity resulting from the killing and maiming of innocent neighbours of terrorists.

The Liberal Party leader, Mr David Steel, said that the attack had been out of all proportion to the terrorist acts suffered by the United States. The action had also exposed British people in Libya and in Britain to further terrorist attacks, had angered Britain's allies, and had boosted the power, authority and status of Colonel Qhadafi within Libya and the Arab world as a whole. Mr Steel added that the United States had been right to complain about an inadequate European response to terrorism and that Europe needed to act more unitedly against terrorism and on the wider issue of

the Middle East problem. Another lesson of the episode was that arrangements for the use of United States bases in Britain needed to be revised, published and approved; if damage was not to be caused to the North Atlantic alliance, there had to be no doubt as to the conditions under which they could be used.

The leader of the Social Democratic Party, Dr David Owen, said that it had been wrong in principle for Britain to be a party to a decision that broke international law, and that the Government should have realised that there was a great danger of involving innocent Libyan citizens. The use of British bases had deeply implicated Britain in the decision and the Government should have been involved in all aspects of the decision making. In January 1986, Dr Owen continued, the British Government should not have turned down the United States' request for economic sanctions; at that time all Libyan People's Bureaux should have been closed in European Community countries, all economic aid restricted and all air travel to Libya stopped.

Government Reply

Replying for the Government, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, agreed that a peaceful solution to the central questions of the Middle East was fundamental. Britain remained fully committed to the search for a peacefully negotiated settlement on the basis of respect for the right of Israel to secure borders and for the right of the Palestinians to self-determination (see pp 405-6, 1984 and pp 310-14, 1985).

On the issue of terrorism, Sir Geoffrey said that ordinary terrorism had to be dealt with through the ordinary agencies and instruments of law enforcement. State-sponsored terrorism – the subject being dealt with by the House in the debate – was quite different since it was managed, financed and organised by the agencies of government. There was overwhelming evidence, he added, that Colonel Qhadafi's regime was such a government. In such circumstances, states had a right to defend themselves and their citizens against attacks organised and promoted by another state. Article 51 of the United Nations Charter recognised the inherent right of self-defence against attack. This right was not entirely passive since it plainly included the right to destroy or weaken the capacity of one's assailant, to reduce his resources and to weaken his will in order to discourage and prevent further violence.

Sir Geoffrey said that significant and realistic support for Colonel Qhadafi would not be increased in moderate Arab states because they shared the view of the rest of the world that his conduct of state-sponsored terrorism needed to be brought to an end quickly. It was far too soon to say whether the action would strengthen his position within Libya; if this argument, however, was allowed to be decisive, it would mean that the director of state terrorism would be for ever left free to sustain himself without challenges of any kind, a conclusion that was quite unacceptable.

As for future action to combat terrorism, Sir Geoffrey pointed out that Britain had consistently pressed its European partners for non-military measures against Libya. Although European Community member states had repeatedly condemned terrorism, they had not so far provided the necessary reinforcement for collective action by putting peaceful, moral and political pressure on Libya. Europe required a concerted programme of measures designed to choke the supply of arms to the terrorists, to close their command centres, and to limit their freedom of movement in and out of countries. Despite the differences of opinion created by the United States action, the task now was to agree urgently on steps to make policies effective; this would mean strict implementation of the ban on arms exports to Libya, strict monitoring to prevent arms from reaching terrorist hands, a reduction of staff in Libyan People's Bureaux, a tightening of restrictions on Libyans in those bureaux whose role in terrorism had been proved beyond a possibility of doubt, and the tightening of visa requirements for Libyans. The most effective step would be the closure of all Libyan People's Bureaux throughout Europe, and Britain would continue to advocate that step.

EUROPEAN COMMUNITY VIEWS

Meeting in The Hague on 14 April, the twelve European Community foreign ministers emphasised that states clearly implicated in supporting terrorism should be induced to renounce such support and respect the rules of international law, and they called upon Libya to act accordingly. They decided to restrict the freedom of movement of Libyan diplomatic and consular personnel, to reduce the staff of Libyan diplomatic and consular missions, and to introduce stricter visa requirements and procedures for Libyans. In conformity with their January 1986 declaration, they reaffirmed their ban on the export of arms and other military equipment to Libya and said that they would continue to ensure that their nationals and industries would not seek any commercial advantage from measures taken in reaction to terrorist attacks and other terrorist activities. Member states also emphasised that no country lending its support to terrorism could expect to maintain normal relations with them. Appropriate action to be taken by member states would be identified, including security measures, the application of international conventions on diplomatic and consular privileges and immunities, and the safety of civil aviation. Co-operation with other states would also be increased in the field of intelligence, the improvement of security, and other measures to prevent terrorist acts. In order to avoid further escalation of military tension in the Mediterranean and to assist a political solution, member states underlined the need for restraint on all sides.

Following another foreign ministers' meeting in Paris on 17 April, after which no statement was issued, Sir Geoffrey Howe said that the meeting had confirmed that there was a need for further concrete measures against Libyan terrorism, and that these would be considered at another meeting in Luxembourg on 21 April. A working party on international terrorism, whose report would be on the table at the Luxembourg meeting, had made a number of recommendations for action against offending states, including the possibility of closing the diplomatic missions of the worst offenders, such as Libya. Britain welcomed this, Sir Geoffrey said, and at the meeting had reiterated the key role which the closure of the Libyan People's Bureaux would play in the fight against terrorism. There would be no better way of upholding Europe's credibility, he added, than by demonstrating to the world that the Community was ready, willing

and able to take effective action against terrorism, so showing that there was a viable alternative to military action.

GULF OF SIRTE INCIDENT

On 24 March, Libyan defence forces attacked United States naval forces in the Gulf of Sirte, a large section of the Mediterranean Sea which cuts into the Libyan coastline. At the time of the Libyan attack the American Sixth Fleet was carrying out manoeuvres in waters and air space over which Libya claims sovereignty. In 1973 Libya laid claim to the waters enclosed by a line (recently referred to by Colonel Muammar Qadhafi as the 'line of death') drawn across the mouth of the gulf at 32 degrees 30 minutes north latitude. This claim is not recognised by the United States, Britain and most other nations. The United States' declared objective in carrying out exercises in the region was to assert its right to operate in international waters and air space.

The Security Council was convened on 26 March at the request of Malta and the Soviet Union to discuss the issues raised by the clashes between United States and Libyan forces. The session was adjourned on 31 March, no resolution having been adopted and no date set for the continuation of the debate.

British Statement

Speaking on 27 March, Britain's Permanent Representative at the United Nations, Sir John Thomson, said that Britain, as a maritime nation, had from time immemorial attached fundamental importance to the principle of the freedom of navigation in international waters, including the right of innocent passage through territorial seas. It therefore deplored any unjustified threat to, or action against, navigation whenever and wherever it occurred. The situation under discussion stemmed from the flouting of these fundamental principles.

It was well known that Libya had eccentric border policies which caused trouble to neighbouring countries in the south as well as in the north.[1] In the Mediterranean Sea its neighbours were not just the countries which occupied the littoral on either side, but the whole international community, which had a right to traverse international waters. It was unacceptable for any nation to arrogate these waters exclusively to itself and such an act was not only illegal, but also provocative.

To declare a 'line of death' was an attempt to intimidate, Sir John continued, and the vast majority of countries had consistently refused to acknowledge it, many having made specific protests. In September 1985 the member states of the European Community had protested formally to the Libyan Government over the introduction of illegal restrictions in the Gulf of Sirte, reaffirming their rejection of Libyan claims to sovereignty over the waters extending beyond the legitimate limits of the territorial sea.

Given acceptance of the principle of freedom of navigation and the circumstances of the case, it was impossible to argue convincingly that the United States forces involved in the clashes had been doing other than exercising their right to the freedom of navigation in international waters and air space in accordance with international law. There had therefore been no justification for the attack made on them by Libyan missiles on 24 March. There could be no doubt that the attack constituted a breach of Libya's obligations under international law, in particular article 2 (iv) (concerning the threat or use of force in international relations) of the United Nations Charter. The United States forces, having been attacked and further threatened, had exercised their right of self-defence under article 51, a response which had been proportionate and wholly justifiable.

In conclusion, Sir John said that this was a clear case in which the Council should uphold the principles concerned, urge the parties to exercise restraint and call for the strict observation of international law.

[1]Libya has boundary disputes with Tunisia (heard by the International Court of Justice in 1982), and Chad, where Libya lays territorial claim to the Aozou strip in the north of the country, and a dispute over offshore rights with Malta.

South Africa: Employment Practices by British Companies

The latest analysis of the performance of British companies under the European code of conduct for companies with interests in South Africa was published in March.

Background

The code of conduct on employment practices was adopted by the European Community in September 1977 (see pp 365-6, 1977) after discussions in which Britain played a leading part.[1] It sets out guidelines for good employer practices covering, for example, trade unions, migrant labour, pay, fringe benefits and desegregation. Under the provisions, companies are asked to publish each year detailed and fully documented reports on the progress made in applying the code, including information on the number of black South Africans they employ. These reports are reviewed by the Government, which publishes an annual analysis and summary of the situation.

The main recommendations of the code are that:

1 black African employees should be free to form or join a trade union, and companies should recognise these unions and negotiate and conclude agreements with them;

2 employers should seek to alleviate as far as possible the effects of the migrant labour system by providing better housing and welfare facilities;

3 with regard to pay, companies should provide a minimum wage at least 50 per cent higher than the minimum level required to satisfy the basic needs of an employee and his family;

4 companies should adopt the principle of equal pay for equal work and should provide equal access to all jobs for all those qualified;

5 companies should provide fringe benefits to cover such areas as housing, transport, leisure facilities,

[1]The code, and guidance to companies on its implementation, are contained in *Code of Conduct for Companies with Interests in South Africa*. Cmnd 7233. HMSO, 40p.

health and advisory services, pensions, insurance and education; and

6 employers should do everything possible to abolish any practice of segregation at the workplace and to provide equal working conditions for all their staff.

Britain has recently been working, together with its partners in the European Community, to strengthen and improve the code, which remains voluntary.[1] In addition to providing the fringe benefits mentioned in the original code, employers are now urged to support projects which aim to improve the quality of life of the black communities from which they draw their staff. The revised code also recommends that, as far as they are able, companies should, within the framework of their activities, encourage the setting-up and expansion of black businesses by sub-contracting, providing assistance for their black employees to set up their own businesses and preferential, priority treatment in customer-supplier relations.

In line with its policy of promoting an early and peaceful transition to a genuinely non-racial democracy in South Africa (see p 41), Britain considers that the economic advancement of black South Africans is a prime motor for political change and for the collapse of the apartheid system. British companies have created jobs for over 100,000 black workers in South Africa, providing support for five times that number in the black community. They also give direct assistance to educational programmes, technical training and community housing for blacks. The business community is also increasingly active in promoting political change. Britain helps the black community by providing English-language training and student scholarships (over £1·5 million in 1985-86) and also provides funds for the training of black trade unionists.

Summary of Companies' Reports

The analysis,[2] which covers the period from 1 July 1984 to 30 June 1985, reports that progress made during the life of the 1977 code has been considerable in terms both of the pay and conditions provided by British companies and of their willingness to comply with and submit reports under the code. By March 1985, 172 companies – some 98 per cent – had submitted reports to the Department of Trade and Industry and of those companies whose interests were known or believed to warrant a full report under the code, only three had declined to submit returns.[3] This represented a sharp reduction in the previous year's figure of ten companies declining to report and is the lowest figure since the introduction of the code in 1978, when 47 companies failed to submit a report.

Against a background of continued economic recession in which wage rates throughout the South African economy generally failed to keep pace with consumer price inflation, British companies reported substantial reductions in their black African workforce, notably in the engineering and related industries, a sector which had been badly hit by recession and had reduced its workforce by over 20 per cent since 1981. A third of the companies which reported, however, had increased black employment.

A salient feature of the reports was the evidence of increasing dealings with the emerging trade unions representing black workers, accompanied by a growing acceptance of their role in collective bargaining, together with a marked increase in the number of recognition agreements. Nearly a third of the companies reported that their black workers were represented by trade unions in the industrial council system, in which wages and working conditions are set in industry-wide bargaining between employer organisations and unions. In 1985, 11 companies reported that they had formally recognised established registered unions, compared with eight in 1978 and 1984.

Company reports indicated greater concern for the welfare of migrant workers, whose numbers remained at the previous year's level of around 11,000. Almost one-half of the companies employing migrant labour reported improvements in accommodation facilities and just over a quarter said that they regarded that migrant workers were entitled to the same benefits as their permanent workforce. More companies than in previous years reported provision of additional paid leave (15 in 1985 as compared to 3 in 1978); facilities for families (7 in 1985, 4 in 1978); and advisory services (17 in 1985, 6 in 1978).

The number of companies failing to indicate acceptance of the principle of equal pay for equal work and equality of job opportunity continued to decline in 1985. Only three companies had failed to accept the principle of equal pay, compared with 14 in 1978 and five in 1984. Despite difficult economic and social conditions, training of black workers continued to receive emphasis, with 42 companies increasing their efforts. The ranges of courses and facilities offered by some of the larger British subsidiaries were among the best in South Africa, according to the analysis. More companies reported a policy of no overseas recruitment; almost all companies still employing white skilled workers from abroad did so only to meet the need for particular skills when suitable candidates were unavailable in South Africa. The net increase in the number of workers recruited abroad dropped from 269 in 1981 to 21 in 1985.

The reports showed a distinct upward trend in the provision of fringe benefits over and above those required by law. Most companies provided pension and medical schemes and over two-thirds offered assistance with house purchase. Other benefits which were increased included educational schemes, transport, death grants and funeral expenses, annual bonuses, loan schemes and recreational facilities.

Although the 1977 code of conduct did not call specifically for details of involvement in community projects, many companies volunteered such information. Schemes of this kind often benefited not only the company's own workforce, but also the wider communities from which workers were drawn. They included support for universities and schools, technical training facilities, local community facilities, and for the development of small businesses. The reports showed that companies continued to eliminate racial segregation among their employees. At the workplace desegregation was now practised by 117 companies compared to none in 1981. Such a policy, however, is still not universal.

[1] European Community Foreign Ministers met in September 1985 to adapt and strengthen the code. The revised code is now complete and will be published in the near future.

[2] Published by the Department of Trade and Industry.

[3] Full reports are expected from those companies holding 50 per cent or more of the equity of South African companies employing at least 20 black African workers.

Shorter Note

AID TO BANGLADESH

Britain is to provide a £25 million grant to Bangladesh towards the cost of a natural gas development project, to be co-financed with the World Bank, the United Nations Development Programme and the governments of Canada and the Netherlands. The Second Gas Development Project, which is expected to cost £173 million, will be designed to increase gas supplies from existing fields and to produce the first significant quantities of liquid hydrocarbons (kerosene and gasoline) in the country. The project is also expected to increase gas reserves. The British aid will finance the construction of surface facilities at the Kailastilla gasfield, pipelines and a training programme and management consultancy for the implementing agency, Bangladesh Oil, Gas and Mineral Company. Continued growth in the demand for commercial sources of energy in Bangladesh is forecast over the next decade and natural gas is the only source available with scope for increased production at reasonable cost. The project will play an important role in supplying the energy needed to fuel economic development without straining the country's balance of payments.

Bangladesh is one of the largest recipients of British development assistance. The bilateral aid programme totalled £35 million in 1984 (see p 267, 1985) and £41 million in 1985. Further pledges of British aid were announced at a meeting of aid donors to Bangladesh in Paris in April. These comprise £45 million to finance projects involving both British goods and services and local costs, and £10 million to cover the cost of essential imports.

Source: Overseas Development Administration press notices, 20.3.86 and 16.4.86.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Budget 1986

Presenting his Budget to the House of Commons on 18 March, the Chancellor of the Exchequer, Mr Nigel Lawson, reaffirmed the Government's commitment to the policies that have brought Britain three successive years of steady growth and low inflation. The Budget seeks to stimulate enterprise through a cut in the basic rate of income tax and a new scheme for personal investment in industry. Measures to reduce unemployment include the encouragement of greater flexibility in the labour market as well as a programme of direct help. The Chancellor sees his Budget as one that builds on the achievements of the recent past and thus 'a safeguard for the present and a springboard for the future'.

The main Budget proposals are outlined below, followed by a fuller account of the Chancellor's statement. Tables are taken from *Financial Statement and Budget Report 1986-87*,[1] published on Budget day.

SUMMARY OF PROPOSALS

Tax Proposals

Income Tax

Basic rate cut from 30 per cent to 29 per cent. Personal allowances raised in line with inflation. Thresholds for higher rates increased by £1,000. From 1987-88 earnings in Britain of overseas entertainers and sportsmen to be taxed at basic rate. Publication of a Green Paper on personal taxation.[2]

Corporation Tax

Small companies' rate cut from 30 per cent to 29 per cent.

Excise Duties

Increased duties on petrol, derv and cigarettes.

Capital Transfer Tax

Abolition of tax on lifetime gifts to individuals. Tax to be renamed 'inheritance tax'.

Value Added Tax

Increase in threshold from £19,500 to £20,500.

Business Expansion Scheme

Scheme to be extended indefinitely. Publication of an independent review.[1]

Personal Equity Plan

Introduction of a Personal Equity Plan to encourage direct investment by individuals in business and industry.

Stamp Duty

Stamp duty on share transactions to be reduced from 1 per cent to 0·5 per cent.

Charities

Introduction of a range of tax concessions on spending by charities and on charitable donations.

Employment Measures

Employee Share Schemes

The pay system to be made more flexible to allow earnings to vary in line with company profitability, thus encouraging recruitment.

Direct Employment Measures

For the long-term unemployed, the Community Programme to be expanded and certain existing schemes to be combined in a new programme, 'Restart'. Introduction of a New Workers Scheme and expansion of the Enterprise Allowance Scheme.

Loan Guarantee Scheme

Scheme to be extended for three years.

Budget Strategy

Medium-term financial strategy to continue to be the framework for economic policy. Monetary and fiscal policy on target to secure a fall in inflation while providing for continued growth in output. Public sector borrowing in 1986-87 set at £7,000 million, equal to 1·75 per cent of gross domestic product (GDP).

CHANCELLOR'S STATEMENT

Introducing the Budget in the House of Commons (*Hansard*, Vol 94, No 80, cols 166-84), the Chancellor said that, despite the 'dramatic and unprecedented' fall in the price of oil,[3] the Government's objectives remained the conquest of inflation and the creation of

[1] *Financial Statement and Budget Report 1986-87*. HM Treasury. HMSO, £6·60. ISBN 0 10 227386 3.

[2] *The Reform of Personal Taxation*. HM Treasury. Cmnd 9756. HMSO, £8. ISBN 0 10 197560 0.

[1] *The Peat Marwick Report on the Business Expansion Scheme*. Available from Inland Revenue, Somerset House, Strand, London WC2R 1LB. £22·50.

[3] The price per barrel fell from about $30 in November 1985 to some $16 in March 1986.

an enterprise culture. There would also be no change in its policies – sound money and free markets – as these were the only routes to lasting jobs.

Economic Background

Britain had now experienced five solid years of growth at an annual rate of around 3 per cent. The year 1985 was the third in succession in which the 'elusive combination' of steady growth and low inflation had been achieved; this was the first period in which this had occurred since the 1960s. Growth in 1985 of 3·5 per cent was the highest of any member country of the European Community and higher than in the United States. Within the total, non-oil exports had risen by 7 per cent to reach a record level.

In spite of the slowing in the rate of growth of world trade from the high level of 1984, the current account of the balance of payments was in surplus in 1985 – by some £3,000 million – for the sixth year running. The annual rate of inflation at the end of the year was around 5·5 per cent and still falling. Employment was continuing to rise although still not fast enough to bring about a fall in the 'distressingly high' number of people out of work. Manufacturing had had another successful year; its output was up by 3 per cent, productivity by almost 4 per cent and investment and exports by 6 per cent.

At the heart of this success lay a 'remarkable turnaround' in productivity. In the six years prior to 1979 Britain's annual rate of growth of productivity in manufacturing, at less than 1 per cent, was the lowest in the 'Group of Five' major industrialised countries – Britain, France, the Federal Republic of Germany, Japan and the United States. In the six years since 1979 Britain's rate of 3·5 per cent was second only to that of Japan.

The Chancellor expected 1986 to be a further year of steady growth and low inflation. With output forecast to rise by 3 per cent and inflation to fall to 3·5 per cent, 1986 was set to witness Britain's best performance in terms of output and inflation for a generation. There was also likely to be a satisfactory balance in the pattern of growth, with exports and investment expected to grow rather faster than consumer spending – as they had during the sustained upswing.

The world currency markets had been showing signs of uncertainty, although there had recently been some improvement. The agreement between the Group of Five in September 1985 (see pp 317-18, 1985) had led to a more sustainable pattern of exchange rates, with the United States dollar falling in value by some 16 per cent against the other major currencies and these increasing in value by varying amounts. The process would be further assisted if the much-needed reduction in the United States budget deficit could be achieved.

Oil

Mr Lawson described the collapse in the oil price as 'the most dramatic development on the world economic scene and one of considerable importance to this country'. Over the past few months the price of oil had fallen by almost a half and, with it, Britain's prospective tax revenues from North Sea oil and earnings from oil exports. In real terms, the oil price was back to its level at the end of 1973.

As a result, sterling had come under pressure. The response had been an immediate rise of one percentage point in short-term interest rates in early January, which had helped to prevent the fall in the exchange rate from developing a momentum of its own. However, the temptation to raise interest rates further had been resisted; the pressure had in due course subsided.

The Chancellor emphasised that there was no question of Britain cutting back its oil production in an attempt to bring about a rise in the oil price. There was no national interest in keeping the price high. In any case, decisions on levels of output were a matter for the oil companies rather than the Government. Also, Britain was not just a major oil producer; it was an important producer and trader of many other goods and services as well as being a major oil consumer.

Mr Lawson recognised that, as an oil producer, Britain lost in relation to other countries when the oil price fell. The fall, however, would be beneficial for the industrialised world as a whole; even in Britain he expected levels of economic activity and inflation to be slightly better as a result.

The chief beneficiary in Britain of the oil price collapse would be the overseas trading sector of industry in general and manufacturing in particular. British manufacturing was already enjoying lower oil costs and, compared with its competitors, a lower exchange rate at a time of falling inflation. This provided industry with an outstanding chance to increase exports and reduce imports. It would be able to seize this opportunity only if it met two conditions. First, it had to keep firmer control of its labour costs. Secondly, it had to spend more on investment in research, development and training. Despite the fall in oil prices, the Chancellor expected the current account to remain in sizeable surplus in 1986, by some £3,500 million.

The abolition of exchange controls in 1979 (see p 162, 1980) had enabled Britain to use a good part of its earnings from North Sea oil to build up a very large stock of overseas assets. Net overseas assets had risen from £12,000 million at the end of 1979 to almost £90,000 million at the end of 1985. The earnings from these assets would be of increasing value to the balance of payments in the years ahead.

North Sea oil revenues were likely to amount to some £11,500 million in 1985-86. On the assumption of an average oil price of $15 a barrel for the rest of 1986, revenues in 1986-87 would be reduced by almost a half, to some £6,000 million. Britain had, however, been able to take the collapse in the oil price in its stride, 'first, because of the underlying strength of the economy in terms of growth, inflation and the external account; and, secondly, by virtue of the reputation we have earned over seven years for sound and prudent financial management'.

Monetary Policy

This financial management would continue to be pursued within the medium-term financial strategy (see p 113, 1980), which provided as firm a guarantee against inadequate as against excessive money demand. Its objective was a steady reduction in the growth of total spending power in the economy, as measured by GDP in cash terms (money GDP), at a pace that would gradually squeeze inflation out of the system while leaving room for sustained growth in the volume of output.

Table 1
Growth of Money Supply and Money GDP

Percentage change during year

	1985-86	1986-87	1987-88	1988-89	1989-90
Narrow money – M0	3·5*	2–6†	2–6‡	1–5‡	1–5‡
Broad money – sterling M3	14·75*	11–15†	—	—	—
Money GDP	9·5§(8·25)§¶	6·75‖	6·5**	6·0**	5·5**

*Estimated outturn: mid-February to mid-February.
†Target range.
‡Illustrative range.
§Estimated outturn.
¶Adjusted for dispute in the coal industry.
‖Forecast.
**Government's broad medium-term objective.

Table 2
Public Sector Borrowing

£'000 million

	Estimated outturn 1985-86	Plans 1986-87	1987-88	1988-89	1989-90
Public expenditure planning total	134	139	144	149	153
Gross debt interest	18	18	19	19	19
Other adjustments	6	6	7	7	7
General government expenditure	158	163	170	175	180
Taxes on incomes, expenditure and capital	113	118	124	132	139
National Insurance and other contributions	24	26	28	29	31
Interest and dividends	6	6	6	6	6
Other receipts	6	6	6	7	7
Accruals adjustment	—	—	—	—	–1
General government receipts	150	156	164	174	182
Fiscal adjustment from previous years*	—	—	—	2	6
Annual fiscal adjustment*	—	—	2	4	3
General government borrowing requirement	8	7	8	7	7
Market and overseas borrowing of public corporations	–1	—	–1	—	—
Public sector borrowing requirement	7	7	7	7	7
As percentage of GDP	2	1·75	1·75	1·5	1·5

*Implies lower taxes or higher expenditure than assumed in totals for general government expenditure and receipts.

Over the past six years the rate of growth of money GDP had been halved; a further reduction was envisaged for 1986-87. The result had been a combination of low inflation and steady growth. The Government would continue to maintain downward pressure on inflation, which meant, above all, controlling the growth of money. The 1985 Budget (see p 115, 1985) had set target growth ranges for 1985-86 of 3 per cent to 7 per cent for narrow money (M0)[1] and 5 per cent to 9 per cent for broad money (sterling M3).[2] The increase in narrow money had been towards the lower end of its range; the target range for 1986-87 would be 2 per cent to 6 per cent, as foreshadowed in the 1985 Budget. It had been clear since the autumn, however, that the range for broad money had been set too low. Throughout the 1980s – and in sharp contrast to experience in the 1970s – broad money had grown far faster than money GDP. However, this had not posed a threat to inflation. The rapid growth largely reflected the increased attractions of holding interest-bearing deposits, at a time of low inflation and high real interest rates, and of innovation and liberalisation in the financial system. Accordingly, the 1986-87 target growth range for broad money was being set at 11 per cent to 15 per cent – well above what had been given in the last Budget. On the basis of the experience of the past six years, Mr Lawson said, this was not only a more realistic range but one which was wholly consistent with the further decline in inflation that he intended to achieve.

[1]Notes and coin in circulation with the public and banks' holdings of cash and their operational balances at the Bank of England.

[2]Notes and coin in circulation with the public and private sector sterling sight and time deposits in Britain.

Table 3
Consolidated Fund Revenue

£ million

	1985-86 forecast in 1985 Budget	1985-86 latest estimate	1986-87 forecast in 1986 Budget
Inland Revenue			
Income tax	35,200	35,100	38,500
Corporation tax*	10,100	10,700	11,700
Petroleum revenue tax†	8,200	6,400	2,400
Capital gains tax	790	930	1,050
Development land tax	55	60	35
Capital transfer tax (inheritance tax)‡	760	890	910
Stamp duties	1,100	1,230	1,430
Total Inland Revenue	56,200	55,300	56,000
Customs and Excise			
Value added tax	18,300	19,300	20,700
Oil	6,500	6,500	7,300
Tobacco	4,300	4,300	4,700
Spirits, beer, wine, cider and perry	4,200	4,200	4,400
Betting and gaming	700	730	800
Car tax	760	880	980
Other excise duties	20	20	20
European Community own resources			
Customs duties, etc	1,400	1,200	1,300
Agricultural levies	100	160	160
Total Customs and Excise	36,300	37,300	40,400
Vehicle excise duties§	2,500	2,400	2,500
National Insurance surcharge	30	30	—
Gas levy	520	520	500
Broadcast receiving licences	790	990	1,000
Interest and dividends	870	910	840
Other¶	9,200	8,400	7,400
Total Consolidated Fund revenue	106,500	105,800	108,600

Note: The Consolidated Fund is the account at the Bank of England into which tax receipts, excise duties and other revenues are paid.

*Including advance corporation tax:

Net of repayments	3,600	3,800	4,100

†Including advance payments.
‡Including estate duty.
§Including driving licence receipts.
¶Including the 10 per cent of own resources refunded by the European Community to meet the costs of collection, other receipts from the Community, privatisation proceeds and oil royalties.

Short-term interest rates, the Chancellor continued, were 'the essential instrument of monetary policy'. Changes in their level had a reasonably quick and direct effect on narrow money as well as on the exchange rate, but the impact on broad money was more complex and much more delayed.

Mr Lawson said he would also continue to monitor the evidence of other financial indicators, of which the most important was the exchange rate. He stressed that, although financial innovation and liberalisation had inevitably made monetary management more complicated, there had been no change in the essence of policy. 'The Government continue to attach the highest priority to sound money.'

Public Sector Borrowing

The Chancellor explained that monetary policy had always to be supported by an appropriate fiscal policy; this meant keeping borrowing at a low level. The public sector borrowing requirement (PSBR) in 1984-85, in which most of the costs of the dispute in the coal industry (see pp 77-8, 1985) had occurred, was £10,000 million, equal to just over 3 per cent of GDP. The 1985 Budget had aimed to reduce this to £7,000 million, or 2 per cent of GDP, in 1985-86. Despite the loss of £2,000 million of North Sea oil revenue, the outturn was likely to be under £7,000 million. This performance, which represented the most substantial reduction in the PSBR as a proportion of GDP since 1981-82, was attributable to two causes: firm control of public expenditure and increased buoyancy of non-oil revenues, which reflected the profitability of the corporate sector.

For 1986-87 a PSBR of £7,000 million, equal to 1·75 per cent of GDP, was being provided for. This was a little less than had been set in the 1985 Budget. Oil revenues in 1986-87 were now estimated at £5,500 million less than envisaged a year ago. As a result, it would not be possible to reduce taxation by

anything like as much as the £3,500 million foreshadowed at that time. However, because of the continued vigour of the non-oil economy, the high level of tax revenues from this sector and firm control of public expenditure, a relatively modest reduction in the burden of taxation of a little under £1,000 million could be accommodated.

Help for the Unemployed

Mr Lawson emphasised that the solution to the problem of unemployment required progress in two areas. The first was a sustained improvement in the performance of business and industry – and thus of the whole economy. The second was a level of pay that priced workers into instead of out of jobs. This would ensure that British industry could hold its own against its major international competitors. Labour costs per unit of output in Britain were continuing to rise faster than was consistent with low unemployment and faster than in Britain's main overseas competitors. Productivity was rising quite rapidly, but pay was rising even faster. 'It is this – and not our alleged dependence on oil – that constitutes the Achilles' heel of the British economy.'

There was a need for less rigidity in the pay system, the Chancellor continued. Redundancies were more likely to occur when the only element of flexibility was in the level of employment. A solution, Mr Lawson thought, might lie in a move towards a system in which a significant proportion of an employee's remuneration depended directly on the profitability of the company. As well as giving the workforce a more direct personal interest in their company's success, this would mean that, at times of slack business, companies would be under less pressure to lay workers off; by the same token, they would generally be keener to take them on. The Government proposed to start discussions on possible schemes.

The Chancellor also announced measures of immediate help to the unemployed.

For the long-term unemployed, the Community Programme (see p 390, 1985) was being expanded to provide 255,000 places by the end of 1986 – almost double the number of a year ago. In addition, the counselling scheme and the Job Start Scheme, which paid a weekly allowance of £20 for six months to those taking a job paying less than £80 a week (see p 391, 1985), would be merged into a single scheme – 'Restart' – and extended to cover the whole country. Every long-term unemployed person would thus be offered individual help and advice in finding a job.

A new initiative, the New Workers Scheme, would provide for a weekly payment of £15 for a year to any employer taking on an 18- or 19-year-old at up to £55 a week or a 20-year-old at up to £65 a week.

The Enterprise Allowance Scheme, under which payments of £40 a week for up to a year could be made to the unemployed to set up in business (see p 103, 1983), would be steadily extended to allow for an annual rate of entry of 100,000 by April 1987 compared with the present figure of 65,000. More training would be provided and there would be an improvement in the tax treatment of payments.

The gross cost of these schemes, the Chancellor said, would be £195 million in 1986-87 and £285 million in 1987-88. This would, however, be partly offset by savings in social security benefits, leaving a net cost of £100 million in the first year and £165 million in the second. These sums would be financed from the reserve so that there would be no addition to planned public spending.

Business and Enterprise

While these measures helped the unemployed directly, Mr Lawson continued, 'in the long run what really matters is the creation of a climate in which business and industry flourish. For it is companies, not governments, which create jobs.' The reformed system of business taxation introduced in the 1984 Budget (see pp 121-2, 1984) would come fully into force in April. Britain's corporation tax rate of 35 per cent would then be the lowest in the major industrialised nations.

Further changes to business taxation announced by the Chancellor included raising the scale of charges for taxing the benefits of company cars by 10 per cent with effect from April 1987; increasing the registration threshold for value added tax (VAT) from an annual turnover of £19,500 to one of £20,500 – the maximum permitted under European Community law; and the introduction of a withholding tax to be levied, at the basic rate of income tax, on the earnings in Britain of overseas entertainers and sportsmen. British performers overseas were already subject to such a tax. The yield would be £75 million in 1987-88.

Business Expansion Scheme

The Business Expansion Scheme (BES – see p 133, 1983) had fully achieved its aim of attracting new equity capital into unquoted companies. The amount subscribed had been running at well over £100 million a year and was rising steadily. A high proportion was going into new and small businesses. The BES was now being extended indefinitely. However, the Chancellor expressed concern that too much BES money was being diverted from high-risk areas, for which the BES was intended. Accordingly, he proposed to exclude from it companies holding more than half of their net assets in the form of land and buildings. He also intended to exclude companies concerned solely with investing in objects – such as fine wines – whose value might be expected to rise. BES shares issued after Budget day would be free of capital gains tax on their first sale.

Loan Guarantee Scheme

Mr Lawson also announced that the Loan Guarantee Scheme, under which the Government guaranteed 70 per cent of certain types of bank loan to small firms (see p 23, 1985), would be extended for a further three years. The rate of premium would be halved, from 5 per cent to 2·5 per cent of the amount guaranteed.

Capital Transfer Tax

Since its introduction in 1974, Mr Lawson continued, capital transfer tax had had a damaging effect on risk-taking and enterprise. Therefore, in addition to carrying out the statutory indexation of the threshold and rate bands, he was proposing a radical reform. In essence, the tax consisted of an inheritance tax and a lifetime gifts tax. Britain had long had some form of inheritance tax. A lifetime gifts tax, however, dated only from 1974. By deterring lifetime giving it had the effect of locking in assets. The Chancellor therefore proposed to abolish the tax on lifetime gifts to individuals, at a

cost of £35 million in 1986-87 and £55 million in 1987-88. The arrangements for trusts, however, would remain broadly unchanged, with the exempt amount and the rate bands being raised in line with inflation. A tapered charge would apply to gifts made within seven years of death. The tax would be called the 'inheritance tax'.

Capital Gains Tax

The annual amount exempt from capital gains tax would be raised in line with inflation, from £5,900 to £6,300 for individuals and from £2,950 to £3,150 for trusts.

Savings and Investment

Pension Funds

Turning to the taxation of savings and investment, Mr Lawson expressed concern at the rules on pension fund surpluses whereby, on an actuarial review, the value of a fund's assets exceeded its liabilities. He explained that excessive surpluses, built up with the benefit of tax reliefs, represented a misuse of a tax privilege directed at the provision of pensions. The problem had until now been dealt with by discretionary arrangements, but these were being replaced with clear provisions. No action would need to be taken where the surplus was up to 5 per cent of liabilities. Where the surplus was greater, the excess would need to be eliminated – by increasing benefits, by reducing contributions or by making a refund to the employer. In the case of a refund, the employer would be liable to tax at a rate of 40 per cent of the amount so as broadly to recover the tax relief previously given. The new arrangements would be likely to yield £20 million in 1986-87 and £120 million in 1987-88.

Stamp Duty

Although there would be no change in stamp duty on houses or other property, the Chancellor felt there was 'a formidable case' for a further reduction in stamp duty on share transfers. The revolution in the provision of financial services in Britain was due to culminate on 27 October with the ending of fixed commissions on share transactions (see p 51); a reduction in dealing costs was essential if London was to compete successfully against overseas centres. Accordingly, stamp duty on share transactions would be halved, from 1 per cent to 0·5 per cent, on 27 October. In order that the cost should be met from within the financial sector, a range of financial dealings at present free from stamp duty would be brought within tax at the 0·5 per cent rate. Mr Lawson felt that the reduction in stamp duty would provide a further boost to wider share ownership.

Personal Equity Plan

'Popular capitalism', in which more and more people held a direct personal stake in British business and industry, would be encouraged by the Personal Equity Plan, to come into operation in January 1987. This would enable adults to invest up to £200 a month or £2,400 a year in shares on which, provided the investment was kept for a minimum period of between one and two years, reinvested dividends and realised capital gains would be free of tax. The cost of the scheme, which was designed especially to encourage smaller savers, would be some £25 million in 1987-88 but would be higher in later years with more plans being taken out. The Chancellor was confident that the scheme would, over time, 'bring about a dramatic extension of share ownership in Britain'.

Charities

'In almost every facet of the nation's affairs, it becomes increasingly clear that private action is more effective than state action', Mr Lawson continued. This was well illustrated by the success of a wide range of charities. To assist such activities he proposed to relieve charities from VAT on their non-classified press advertising and on a specified range of purchases. More importantly, however, charitable giving would be encouraged in a number of ways. First, the upper limit on relief at the higher rates of income tax on charitable covenants would be abolished. Secondly, companies would qualify for tax relief on one-off gifts to charities up to a maximum of 3 per cent of their annual dividend payment to shareholders. Thirdly, from April 1987 employers would be able to set up schemes under which employees could have charitable donations of up to £100 a year deducted from their pay with tax relief.

The Chancellor estimated that the cost of this package could amount to as much as £70 million in 1987-88. This would be partly paid for by measures to curb abuse, which might lead to annual savings of some £20 million.

Taxes on Spending

Oil Duties

Mr Lawson explained that, as far as taxes on spending were concerned, the overriding question was the extent to which he should recover from oil consumers the tax revenues lost from oil producers as a result of the fall in the oil price.

Duty on petrol would be increased by an amount which would – if wholly passed on to the consumer – raise the price by 7·5p a gallon (including VAT). This was 2p more than required to keep pace with inflation; the extra amount ruled out the need for an increase in vehicle excise duty on cars (although that on buses, coaches and taxis would rise by 5 per cent) and so leave the overall real burden on the motorist unchanged. The Chancellor stressed that, as the retail price of petrol had fallen by less than permitted by the decline in the oil price, the rise in duty was no reason for an increase in the retail price. The duty on derv would be raised by an amount which – if wholly passed on to the consumer – would raise the retail price by 6·5p a gallon (including VAT). Here, too, Mr Lawson expressed the view that the price increase should not be passed on.

The duty on gasoil would be raised by 1·5p a gallon. The duty on aviation kerosene and that on most lubricating oils would be abolished.

On environmental grounds, a duty differential on lead-free petrol – to offset its higher production costs – would be created.

Tobacco Duties

For health reasons, the duties on cigarettes and on hand-rolling tobacco would be raised by an amount equivalent to 11p (including VAT) on the price of a packet of 20 cigarettes, appreciably more than was required to keep pace with inflation.

The changes in excise duties would raise £795 million in 1986-87, the same amount as would have been realised had all duties been simply indexed in line with inflation.

Income Tax and Corporation Tax

A Green Paper on personal taxation (see below) was being published on Budget day. As an alternative to the existing arrangements, this outlined a system of personal allowances which would be transferable between husband and wife.

Despite reductions made since 1979, the Chancellor felt that the burden of income tax was still too great. 'Reductions in taxation motivate new businesses and improve incentives at work. They are a principal engine of the enterprise culture, on which our future prosperity and employment opportunities depend.'

For 1986-87 the main thresholds and allowances for income tax were being raised by the statutory amounts required by indexation. Thresholds for the higher rates would be increased by £1,000.

The basic rate of income tax was being reduced from 30 per cent to 29 per cent. Although this was the first fall in the basic rate since its reduction from 33 per cent in 1979 (see p 197, 1979), Mr Lawson pledged that, so long as this Government remained in office, it would not be the last. The Chancellor's long-term aim was the same as that of his predecessor, Sir Geoffrey Howe – a basic rate no higher than 25 per cent.

There would be a consequential reduction in the rate of advance corporation tax[1] and a cut from 30 per cent to 29 per cent in the small companies' rate of corporation tax.

The combined effect of the various income tax changes would be to concentrate the benefit – modest though it was – not on the rich but on the great majority of ordinary taxpayers. The proposals would cost £935 million in 1986-87 over and above the cost of statutory indexation.

OPPOSITION VIEWS

Speaking for the official Opposition on 19 March (*Hansard*, Vol 94, No 81, cols 305-12), Mr Roy Hattersley said that the Budget did not even acknowledge, far less attempt to tackle, the three great crises facing Britain – those of unemployment, poverty and collapsing manufacturing. Moreover, it was partial and divisive in that it represented a policy of redistribution by taking from the poor to give to the rich. Mr Hattersley expressed the view that the central theme of the Budget ought to have been job creation by means of public sector capital programmes. The second theme should have been help for those who needed it most – pensioners, families and the long-term unemployed. By failing these groups the Chancellor had failed the nation as a whole.

Speaking on 20 March for the Liberal-Social Democratic Alliance, Mr Ian Wrigglesworth (*Hansard*, Vol 94, No 82, cols 455-63) welcomed the prospect of tax relief for profit-sharing schemes, the Personal Equity Plan, the proposals on charities and the Green Paper on personal taxation. However, he thought that the shape of the Budget strategy was wrong as it rested on a very sanguine view of economic activity. It concentrated on giving to those who already had jobs and incomes instead of investing in the long-term future of industry and getting people back to work to create wealth.

[1]Companies pay income tax at the basic rate on profits distributed to shareholders; this covers the shareholders' tax liability at that rate.

Reform of Personal Taxation

A new system for income tax, involving transferable personal allowances, is the major proposal put forward in a Green Paper on the reform of personal taxation published on Budget day, 18 March. Under these arrangements, married women would be taxed on the same basis as their husbands, discrimination against marriage and the family would be removed and tax thresholds could be raised in a cost-effective way.

Background

A reduction in the burden of income tax, the Green Paper[1] explains, is seen by the Government as an objective of major importance. The State has to provide certain services for the community as a whole – such as defence, policing and justice; as a matter of policy, governments also provide services for sections of the community – education, health care and support for the elderly, for example. These services are financed mainly by general taxation. Beyond this level, the Government believes that people should be allowed to spend their money as they wish. This maximises freedom of choice; it gives incentives to effort and enterprise; and it produces an economy responsive to change. For these reasons, the Government feels that taxation should be as low as possible and its incidence as fair and efficient as can be. The Green Paper points out that the Government has done a great deal to reduce the burden of income tax; however, further progress is needed. Computerisation of the Pay-As-You-Earn system, due to be completed by early 1988, offers the opportunity for radical change.

The main topics discussed in the Green Paper, on which the Inland Revenue invites comments by the end of September, are the introduction of transferable personal allowances, amalgamation of the tax and social security benefit systems and integration of tax and National Insurance contributions (NICs). It also outlines possible long-term alternatives to the existing arrangements, including systems in which taxpayers assess their own liability.

Discussing the Green Paper in a speech in London on 15 April, the Financial Secretary to the Treasury, Mr. John Moore, said that 'it should be welcomed by everyone who supports a fair, flexible and efficient tax system'.

Transferable Personal Allowances

The Present System

The amount of income tax people pay depends on the rate of tax and the personal allowances to which

[1]*The Reform of Personal Taxation*. HM Treasury. Cmnd 9756. HMSO, £8. ISBN 0 10 197560 0.

they are entitled. The personal allowance represents a threshold of tax-free annual income. The single person's allowance, which applies to the income of single people and to the earned income of married women, is £2,335. The married man's allowance is £3,655, about one-and-a-half times the single person's allowance. For tax purposes, the income of a married couple is added together and treated as if it all belonged to the husband. Both the husband's and the wife's personal allowances are given against the husband's income. Thus, a married couple with both partners in work have roughly two-and-a-half times the single allowance; a married couple with only the husband working have about one-and-a-half times the single allowance; and a married couple with only the wife working have some two-and-a-half times the single allowance (as all income is treated as the husband's, it qualifies for the married man's allowance as well as the wife's earned income allowance).

There are, however, two existing alternatives to the basic system of taxation of married couples. First, separate assessment gives each partner responsibility for independent handling of his or her tax affairs. Either partner may apply for separate assessment without the agreement of the other. This does not affect the total amount of tax, which is paid by the husband and wife roughly in proportion to their respective incomes, but it allows each partner to fill in a separate tax return. Secondly, a couple may reduce their tax bill by agreeing jointly to wife's earnings election. Under this, both husband and wife qualify for the single person's allowance. This alternative is advantageous only if the couple's incomes are such that the saving through avoiding tax at higher rates outweighs the loss of the married man's allowance. Wife's earnings election does not affect any investment income of the wife, which must still be added to the husband's income for tax purposes.

Disadvantages of the Present System

The Government has examined the possibility of reforming the structure of personal allowances, with three objectives: to give married women the same opportunity for privacy and independence in their taxation as their husbands; to remove discrimination against marriage and the family; and to facilitate the raising of tax thresholds in such a way as to reduce the tax burden on families with low incomes. Responses to a Green Paper published in 1980 on the taxation of husband and wife (see p 20, 1981) had shown widespread dissatisfaction with the existing system.

As the husband is legally responsible for a married couple's tax affairs, he has to include his wife's income on any tax return he completes, thus denying her privacy. The Government believes that a married woman should have the same right to deal with her tax matters as any other taxpayer.

Largely as a result of the treatment of a married woman's income as part of her husband's, the existing system sometimes means that a husband and wife pay more tax than they would if they were unmarried. It also discriminates against couples in which the wife stays at home to care for the children: a couple in which only the husband is working will pay more tax than another couple, with the same total income, in which both partners are working. In this way, 'the present tax system', says the Green Paper, 'bears hardest on couples at precisely the point when most of them can least afford it'.

The Government is of the opinion that tax thresholds are too low; low thresholds, it feels, weaken incentives. The group most affected is married men on low incomes with children. Their threshold is much lower than that for couples in which both partners work; they are therefore prone to the unemployment and poverty traps. The unemployment trap arises when income received out of work is greater than net income obtained in work; the poverty trap occurs when the withdrawal of earnings-related benefits makes people worse off when earnings increase. The Government's proposals for reform of social security (see pp 23-5) will help to alleviate these traps. They will align the structure of the new benefits paid to people out of work with those paid to people in work, with the aim of ensuring that people are better off in work. The proposed family credit (to replace family income supplement) would depend on net, rather than gross, income. The proposals will eliminate marginal income tax rates of over 100 per cent whereby, because of the interaction of the tax and social security systems, an increase in gross income leads to a fall in net income.

The Government also feels it is necessary to reduce the number of people who, although paying income tax, have net incomes low enough to make them eligible for income-related benefits. Following the reforms, it would be possible to achieve this by raising thresholds and so increasing net incomes. However, the existing system of allowances means that a raising of thresholds tends to benefit two-earner couples rather than those in which the wife is not working – the largest group affected by the traps. The Government is therefore of the view that the present system does not direct the benefit of threshold increases where it is most needed and where it can do most to ease the unemployment and poverty traps.

Proposals for Change

All three objectives, the Green Paper suggests, could be met by a system of independent taxation with transferable allowances.

Under this system everyone, regardless of sex or marital status, would have their own tax allowance, whether or not they were in work. The income of a husband and wife would no longer be combined for tax purposes, and all taxpayers would have independence and privacy. Also, in recognition of the shared responsibilities of a married couple, the unused portion of either partner's allowance could be transferred to the other.

If such a system were introduced, the Government would aim to do it in such a way that no couple would pay more tax than previously. The eventual aim would be a position in which the allowances for a married couple would add to the same total as now. This would mean a new, uniform allowance somewhere between the existing single person's allowance and the married man's allowance.

Transferable allowances, the Green Paper says, would give married women the independence and privacy which the present arrangements do not. They would direct more tax relief to families in which the wife stays at home for family reasons. They would mean that one-earner and two-earner couples would gain equally from any raising of thresholds. Increases

in allowances could be directed to where the benefit would be most effective.

Taxes and Benefits

The Green Paper points out the large overlap between the tax and social security benefit systems, with the same people often paying income tax and drawing benefits. The Government appreciates the advantage of increased integration of the two systems; it has taken a number of steps in this direction and will continue to do so as opportunity permits. However, it does not regard integration as an overriding objective, believing in the importance of the distinction between reward for effort and support for need – between what people gain for themselves and what they receive from the State.

The Green Paper discusses two possibilities for greater integration: using the tax system to assess eligibility for income-related benefits and the introduction of a single system of net payments in which benefits are calculated net of tax.

Assessment of benefits through the tax system is felt to be more appropriate when there is a high degree of overlap between the particular benefit and tax. In the case of the proposed family credit (to replace family income supplement), the overlap would probably be considerable. The Government has put forward the idea that family credit be paid with wages, thus representing a major step towards a system of single net payments.

Complete integration is never likely to be either desirable or practical, the Green Paper suggests. However, the Government will undertake further integrating measures when they are practical and do not confuse the differences of function between the two systems.

Income Tax and National Insurance Contributions

It has often been suggested that, in the interests of simplification, the two charges on earnings – income tax and employees' NICs – be combined into a single payment.

Employees' NICs are levied on earnings of employees below retirement age. Those earning above a specified lower limit pay NICs on all their earnings up to a specified upper limit. The contribution rates are graduated from 5 per cent to 9 per cent.

The introduction of a combined charge on the same basis as income tax would mean the establishment of a threshold level of earnings, below which no charge applied, but the abolition of a ceiling level. Also, tax reliefs would apply to the combined charge although they are not currently available against NICs. There would be a net loss of revenue at current rates of income tax (for which the basic rate is 29 per cent) and NICs; the combined charge would therefore need to be set at around 40 per cent to maintain revenue.

People on low earnings would tend to gain as the tax allowance would reduce their total liability; those on high earnings (who would no longer benefit from the ceiling on NICs) and people receiving income not now subject to NICs – such as pensions and investment income – would lose. The Green Paper regards these as 'significant shifts in the tax burden between different sections of the community'. The Government feels that such wide-ranging shifts would be hard to justify on economic or social grounds.

The Green Paper points out that the present arrangements embody the principle – to which the Government is committed – that eligibility for National Insurance benefits should be related to contributions paid. It would be difficult to maintain the contributory principle with a combined charge on all income. For example, people dependent on investment income would be paying for benefits, such as unemployment benefit, not relevant to their circumstances. Others, with incomes below the threshold level, would not be contributing to possible benefits.

The Government feels that the distributional effects of a combined charge and its erosion of the contributory principle outweigh the advantages of simplification: 'the Government's view is that the benefits of a combined charge would be unlikely to justify the ensuing upheaval'.

Shorter Notes

MARINE PILOTAGE

Confirmation of the Government's decision to introduce legislation as soon as possible to abolish existing pilotage authorities and to provide for the transfer of pilotage responsibilities to harbour authorities was given by the Secretary of State for Transport, Mr Nicholas Ridley, in the House of Commons on 24 March, in announcing the Government's response[1] to a report by the House of Commons Transport Committee (for publication details see p 304, 1985). At present there are 50 authorities for the 93 pilotage districts and about 1,425 licensed pilots in Britain, and Trinity House is the largest authority, licensing some 570 pilots in 40 districts (including the London district). Mr Ridley welcomed the recognition by the Select Committee of the need for urgent reform of the structure of pilotage and its endorsement of the central proposal in the Government's Green Paper (for publication details see p 29, 1985) that pilotage should become the responsibility of harbour authorities. Under the proposed reorganisation, harbour authorities would be empowered to run a pilotage service on their own, jointly with neighbouring authorities, or to appoint Trinity House or another body to act on their behalf. The Government will continue to discuss with Trinity House on how the latter's expertise can most usefully be engaged in the new regime. Mr Ridley said that the legislation would also provide for the abolition of the Pilotage Commission (which advised on pilotage and determined appeals against charges), the repeal of most of the complex legislation governing pilotage, and the introduction of a statutory compensation scheme for pilots no longer required.

Source: *Hansard*, Vol 94, No 85, written answers, cols 365-6.

[1] The response is given in a memorandum, which is available unpriced from Marine Directorate, Department of Transport, Sunley House, 90-93 High Holborn, London WC1V 6LP.

LIBERALISATION OF TELECOMMUNICATIONS SERVICES

The Government's plans for a new licence to liberalise further the provision of value-added and data network services were announced by the Minister of State for Industry and Information Technology, Mr Geoffrey Pattie, in the House of Commons on 11 March. Mr Pattie said that the proposals set out in the consultative document issued in December 1985 (for publication details see p 28) would be used as the basis for a single class licence lasting 12 years to be issued under the Telecommunications Act 1984. The licence – which would be applicable to all operators except public telecommunications operators, members of their groups and associates – would authorise the provision of all value-added network services and of all basic conveyance services except voice and telex services (although basic conveyance voice services would be permitted as part of a directory information service, in necessary support of a value-added service, or as an integral part of a more comprehensive service, such as videoconferencing). Authorised services would have to be conveyed between premises by means of fixed links provided by the public telecommunications operators and simple resale would continue to be prohibited. [Under the existing arrangements only British Telecom, Mercury and the City of Hull may install and run basic public telecommunications systems, but anyone may sell value-added network services using these three systems under a general licence issued by the Government in 1982. Over 180 operators have registered for some 800 different services, such as data-bases, conference calls and electronic mail.]

Mr Pattie said that small-scale value-added network operators would be able to provide services with the minimum of regulation. Operators below a certain financial threshold would be authorised to operate services subject only to a condition on privacy and confidentiality and to standard conditions for the running and maintenance of telecommunications systems to be set out in the licence. However, additional licence conditions would apply to all basic conveyance service providers and to those value-added service operators considered capable of distorting competition (initially those with an annual telecommunications turnover of over £1 million or belonging to a group with an annual turnover exceeding £50 million). They would be bound by fair trading obligations (such as a requirement to avoid cross-subsidy of services) and would be required to register with the Office of Telecommunications to ensure the effective monitoring of their licence obligations. In addition, they would be required, in time, to provide for access and use of new and existing services by means of Open System Interconnection (OSI) standards (standards being developed by the International Standards Organisation to ensure that systems produced by different companies can be used to interconnect and to exchange information). The Government was committed to promoting the adoption of OSI standards. The licence would also extend the already permitted uses of international private leased circuits and the Government would continue to press for the widest possible multilateral liberalisation of international telecommunications.

British Telecom and Mercury had already agreed in principle to the modification by the Director General of Telecommunications of their existing licences, so as to prohibit unfair cross-subsidy of services, as well as to require the provision of OSI facilities. This would mean that in the areas newly opened to competition they would be offering their services on an equitable competitive basis with other service providers.

Mr Pattie said that a draft licence would be circulated for comment, with the intention of having the full licence agreed before 6 August 1986 when the validity of the existing licence would cease. The liberalisation which the new licence would initiate should allow British Telecom, Mercury and other providers of telecommunications services the opportunity, while competing fairly, 'to satisfy the increasing demands for new services, both to the service providers' benefit and to the benefit of users of telecommunications services'.

Source: *Hansard*, Vol 93, No 75, written answers, cols 398-400.

SOCIAL AND CULTURAL AFFAIRS

International Conference on Drug Misuse

The International Conference of Ministers of Health on Narcotic and Psychotropic Drugs held in London in March issued a joint statement outlining a programme of action to combat drug misuse. Opening the conference the Secretary of State for Social Services, Mr Norman Fowler, emphasised the need for international co-operation and collaboration and outlined measures taken in Britain to prevent and treat the problem.

The conference met in London from 18 to 20 March at the invitation of the British Government and was arranged in collaboration with and co-sponsored by the World Health Organisation. Delegations from 29 countries attended and two other governments and a number of United Nations agencies and non-statutory organisations were present as observers.

Joint Statement

In the joint statement the ministers expressed their concern that health problems related to the misuse of drugs had increased dramatically world-wide and that new forms and combinations of drugs were increasingly being misused and new groups of people becoming involved. They agreed that national and international policies should be promoted which recognised that countries should act together and share information and experience in preventing and treating health problems related to drug misuse; that action to reduce supply and demand were equally essential; that national health policies should cover both prevention and treatment; and that health ministers should initiate action and collaborate with their ministerial colleagues in such areas as law enforcement, the judicial system, education and the environment.

The conference agreed that participating countries should endeavour to continue their efforts to develop and implement coherent national policies of prevention and treatment and promote the co-ordination of action by government and community organisations. They should also improve their supply of information on the size of the problem and on trends in the use of drugs; develop ways of monitoring and evaluating national programmes; and take steps to improve marketing and prescription practices for psychoactive substances.

Treatment and rehabilitation methods should be evaluated and attempts should be made to remedy shortfalls in provision. Community action should be encouraged to promote healthy alternatives to drug taking, particularly among young people. It was also agreed that governments should jointly undertake research on drug-related problems and co-operate in training and collaborate in activities under the international conventions on narcotic and psychotropic substances.[1]

The conference also called for the Director General of the World Health Organisation to develop a comprehensive plan of action to combat health problems related to misuse of drugs, for the Organisation to intensify its collaboration with countries in programmes of prevention and treatment, and for guidelines in international collaboration in relevant areas to be developed.

Secretary of State's Speech

Speaking at the opening of the conference, Mr Norman Fowler said that no part of the world could consider itself immune to the growth in drug misuse. Until recently the main emphasis had been on stopping supplies; most countries had intensified their action against trafficking and there had been notable successes, but the supply of illicit drugs had not diminished. There was no single solution to the problem of drug misuse and no single country could successfully deal with it in isolation. The need for a co-ordinated strategy was recognised in Britain and a ministerial committee had been set up, in which all the relevant departments of state were represented, with the task of overseeing the development of a strategy to tackle drug misuse on all fronts at once. The strategy covered five main areas: reducing supplies; tightening controls on drugs produced and prescribed; making policing more effective; strengthening deterrence; and improving prevention, treatment and rehabilitation.

The customs machinery had been strengthened through specialist teams and posting customs officers overseas to gain valuable intelligence. The machinery for co-ordinating police and customs activity had been improved through the establishment of the National Drugs Intelligence Unit. Steps had been taken to increase the penalties for drug trafficking and legislation was before Parliament to allow the courts to confiscate the proceeds of trafficking (see pp 69-71).

[1] Two United Nations conventions regulate the world-wide trade in drugs by seeking to ensure that only sufficient drugs are produced to meet legitimate needs. The Single Convention on Narcotic Drugs 1961 provides for controls over opium and its derivatives, such as heroin and morphine, and over such drugs as methadone, cocaine and cannabis. The Convention on Psychotropic Substances 1971 provides for similar controls over a range of synthetic drugs (hallucinogens, stimulants, sedatives and tranquillisers). The conventions apply stringent controls to the production, manufacture, distribution and availability of the drugs concerned. Britain is a party to both conventions and has submitted proposals for a new convention on drug trafficking (see pp 244-5, 1985).

International co-operation would be very important to enforce this measure.

Considerable effort had also been put into tackling demand and expanding facilities for those in need of help. An education and information campaign against heroin had been launched for young people, parents, teachers and other staff (see p 85, 1985). This had taken the form of leaflets, press advertising, public information films, television commercials and posters. Two video packages had been produced, one for the professions who might encounter problems when working with those who misused drugs and the other for young people which aimed to encourage them to make informed choices about drugs. An evaluation of the campaign for young people showed that it was widely noticed; that there was an increased awareness of the social and physical ill-effects of heroin misuse; and that there were some indications of a reduction in the proportion of young people who saw heroin as attractive or glamorous. It was too early to be sure of the campaign's effectiveness, but the results so far were encouraging and a further £2 million would be spent on its continuation.

With regard to treatment and rehabilitation Mr Fowler said that steps were being taken to improve facilities (see p 25). The Central Funding Initiative for supporting new statutory and voluntary projects stood at £17 million and an additional £5 million was being allocated to health authorities to expand services.

No internal strategy, however good, would be successful without international co-operation, continued Mr Fowler. The conference should be the starting point for collaborative international action against drug misuse. He pointed out that, following the call for increased action against drugs at last year's economic summit in Bonn (see p 156, 1985), a report on 'options for individual and collective action to intensify the fight against drug abuse' was likely to be on the agenda for the economic summit to take place in Tokyo in May. There would also be a Commonwealth Health Ministers' Conference in October 1986.

In conclusion Mr Fowler said that the previous week the United Kingdom had signed the Instrument of Ratification for the 1971 United Nations Convention on Psychotropic Substances.

[For further information see COI reference pamphlet *The Prevention and Treatment of Drug Misuse in Britain,* No 270/85.]

New Controls on Cigarette Advertising

A new voluntary agreement has been reached between the Government and the tobacco industry to place further controls on the advertising and promotion of cigarettes and to introduce new health warnings. The agreement contains measures to protect particularly vulnerable groups such as children, young people, and young women in early child-bearing years, and establishes a mechanism for monitoring their effects.

The agreement, which was announced by the Secretary of State for Social Services, Mr Norman Fowler, on 24 March (*Hansard,* Vol 94, No 85, written answers, cols 372-4), took effect on 1 April and will run until 31 October 1989. It largely replaces the last agreement made in October 1982 (see pp 369-70, 1982). The main new provisions are as follows.

1 Advertising of cigarettes in cinemas will cease.

2 In place of the present health warning, there will be six new messages that will be given roughly equal exposure on packs, posters and press advertisements. The wording of the warnings will be:

- Smoking Can Cause Fatal Diseases
- Smoking Can Cause Heart Disease
- Smoking When Pregnant Can Injure Your Baby and Cause Premature Birth
- Stopping Smoking Reduces the Risk of Serious Diseases
- Smoking Can Cause Lung Cancer, Bronchitis and Other Chest Diseases
- More than 30,000 People Die Each Year in the UK From Lung Cancer

The new warnings will be ascribed to the Health Departments' Chief Medical Officers.

3 The space provided for the health warning and tar ratings on posters and press advertisements will be increased from 15 per cent to 17½ per cent of the available area.

4 The industry will spend £1 million each year for the duration of the agreement on a campaign with the retail trade, supported by media advertising and direct mail, against illegal sale of cigarettes to children under the age of 16.

5 Expenditure on poster advertising will be frozen in real terms at 50 per cent of that in the year ending 31 March 1980.

6 New rules will prevent cigarette posters being positioned close to schools.

7 There will be no cigarette brand advertising on logos or 'give-aways' to children at events sponsored by tobacco companies, such as roadshows and airshows.

8 No cigarettes yielding 18 mg of tar or more will be advertised.

9 No cigarette advertisements will appear in magazines with a female readership of over 200,000, where a third or more of those readers are aged between 15 and 24 years.

10 The agreement is to be monitored by a new government/tobacco industry committee under an independent chairman. The chairman will report annually on the progress of the agreement.

Commenting upon the agreement Mr Fowler said that the Government attached great importance to the new health warnings. The old warning – Smoking Can Seriously Damage Your Health – was being replaced by six tougher messages containing specific references to the main diseases linked with smoking. The Government was deeply concerned with the number of young people who continued to be attracted to smoking and he particularly welcomed the campaign suggested by the industry, which would be organised and financed by it, to support the law prohibiting the sale of cig-

arettes to children. The campaign would be far more comprehensive in its coverage of shops selling cigarettes than any previous campaign.

For the first time a mechanism was being set up to monitor the new agreement. The committee's task would be to ensure that the terms of the voluntary agreement were properly adhered to, to receive details of complaints about compliance, and to undertake surveys from time to time on the industry's observance of particular aspects of the agreement. The establishment of this new monitoring machinery should go a long way towards ensuring public confidence in the system of controlling tobacco advertising and promotion by means of voluntary agreements.

Discussions with the industry about the agreement on sports sponsorship by tobacco companies are in progress under the direction of the Minister for Sport. The outcome of these discussions will be announced separately.

Shorter Note

EQUAL RETIREMENT AGES FOR MEN AND WOMEN

The Government plans to give women the right to continue working until the same age as men in those occupations which have different retirement ages for men and women.

The Sex Discrimination Act 1975 is to be amended to make it unlawful for a woman to be dismissed on the grounds of age when a man of the same age and comparable circumstances would not. This would result in employers having to change policies under which women have to retire at an earlier age than men. The change would not require employers to provide access to retirement benefits, including occupational pensions, at the same age, nor would it oblige them to change policies under which women could volunteer to retire and take a pension at an earlier age than men. Nor would it affect the payment of state retirement pensions at different ages – 65 for men and 60 for women. But compulsory retirement ages would have to be equal. In addition women would be able to claim unfair dismissal up to the same age as men. At present some women lose this right at 60.

The Government's plans follow a ruling in the European Court of Justice in February that dismissal of a woman solely because she has reached a state pensionable age which is different for men and women constitutes sex discrimination. The Government proposes to amend the present legislation by introducing changes into the Sex Discrimination Bill which is at present before Parliament.

Commenting on the Government's plans, the Parliamentary Under-Secretary of State for Employment, Mr Ian Lang, said that the change was a step towards the concept of a decade of retirement with greater individual choice, which had long been government policy. Women who wished to go on exercising their skills and contributing to the economy should be able to do so on the same terms as men, and the Government believed that the proposed statutory protections would provide a desirable extension of equal opportunity.

Source: Department of Employment press notice, 1.4.86.

DOCUMENTATION

Government and Administration

Parliamentary Commissioner for Administration: Annual Report for 1985. HMSO, £5·40. ISBN 0 10 227586 6.

Annual Report of the Northern Ireland Commissioner of Complaints for 1985. HMSO, £7·20. ISBN 0 10 225286 6.

The Sentence of the Court. The fourth edition of a Home Office handbook for courts on the treatment of offenders which is intended to provide judges and magistrates with a concise guide to the sentencing powers available to them under the present law and the basic principles applicable to their use. HMSO, £3·50. ISBN 0 11 340807 2.

Criminal Justice: Plans for Legislation (see p 109). Cmnd 9658. HMSO, £2·80. ISBN 0 10 196580 X.

Distribution of Court Business (see p 111). Available free from Room 1102, Home Office, Queen Anne's Gate, London SW1H 9AT.

Custodial Sentences for Young Offenders (see pp 111-12). Available free from Room 323, Home Office, Queen Anne's Gate, London SW1H 9AT.

External Affairs and Defence

Developments in the European Community July–December 1985. Cmnd 9761. HMSO, £4·70. ISBN 0 10 197610 0.

Britain's Dependencies. COI, No 33/85.

ABC of Aid and Development: Some Terms and Institutions. Available free from Overseas Development Administration, Information Department, Eland House, Stag Place, London SW1E 5DH.

Economic and Scientific Affairs

Monthly Digest of Statistics: Supplement: Definitions and Explanatory Notes 1986 Edition. Central Statistical Office. HMSO, £2·75. ISBN 0 11 620228 9.

Financial Statement and Budget Report 1986-87 (see pp 120-6). HM Treasury. HMSO, £6·60. ISBN 0 10 227386 3.

Britain's Budget 1986. (Reproduced from *Survey of Current Affairs.*) COI, No 241/86.

The Reform of Personal Taxation (see pp 126-8). HM Treasury. Cmnd 9756. HMSO, £8. ISBN 0 10 197560 0.

Supply Estimates 1986-87: Summary and Guide. HM Treasury. Cmnd 9742. HMSO, £6·40. ISBN 0 10 197420 5.

Financial Statistics: supplementary handbook. 1986 Edition. Central Statistical Office. HMSO, £7·50. ISBN 0 11 620203 3.

British Overseas Trade Board. Report 1985. Available free from the British Overseas Trade Board, Publicity Unit, Room 235, 1 Victoria Street, London SW1H 0ET.

Shoes and ships and sealing-wax: an illustrated history of the Board of Trade 1786-1986, by Susan Foreman. Department of Trade and Industry. HMSO, £5·95. ISBN 0 11 513825 0.

Help for the Unemployed in Britain. COI, No 163/86. (French version in preparation.)

Confederation of British Industry. COI, No 280/86.

The Peat Marwick Report on the Business Expansion Scheme. Available from Inland Revenue, Somerset House, Strand, London WC2R 1LB. £22·50.

Industrial Regeneration in Britain's Cities. COI, No 263/86. (Spanish version in preparation.)

Department of the Environment, Scottish Office and Welsh Office: Enterprise Zones. Report by the Comptroller and Auditor General, National Audit Office. HMSO, £3·80. ISBN 0 10 220986 3.

The Common Agricultural Policy: achievements and problems. Twelfth Report from the House of Commons Committee of Public Accounts, Session 1985-86. HMSO, £4·20. ISBN 0 10 207186 1.

Tolled Crossings. Second Report from the House of Commons Transport Committee, Session 1985-86.

Vol 1. Report and Minute of Proceedings. HMSO, £4·40. ISBN 0 10 284686 3.

Vol 2. Minutes of Evidence. HMSO, £12·70. ISBN 0 10 284786 X.

Vol 3. Appendices. HMSO, £7·20. ISBN 0 10 284886 6.

Radioactive Waste. First Report from the House of Commons Environment Committee, Session 1985-86. Compares Britain's policy on the creation, management and disposal of radioactive waste with that of certain other countries.

Vol 1. Report together with the proceedings of the Committee. HMSO, £9·85. ISBN 0 10 280586 5.

Vol 2. Minutes of Evidence. HMSO, £18·90. ISBN 0 10 285286 3.

Vol 3. Appendices. HMSO, £10·40. ISBN 0 10 285386 X.

Assessment of best practicable environmental options for management of low and intermediate level solid radioactive wastes. Department of the Environment. HMSO, £5·85. ISBN 0 11 751857 3.

Resource Recovery: a Report. Prepared by Environmental Resources Limited for the Royal Commission on Environmental Pollution. £6·95. ISBN 0 11 730132 9.

Social and Cultural Affairs

Tackling Drug Misuse: A Summary of the Government's Strategy (second edition). Describes the Government's strategy for combating drug misuse and records developments since the first edition was published a year ago. The strategy is designed to reduce supplies from abroad; make enforcement more effective; strengthen deterrence and tighten domestic controls; develop prevention; and improve treatment and rehabilitation. Available unpriced from Home Office, Drugs Branch, Room 326, 50 Queen Anne's Gate, London SW1H 9AT. ISBN 0 86252 234 X.

Misuse of Hard Drugs. First Report from the House of Commons Home Affairs Committee, Session 1985-86, together with . . . Minutes of Evidence. Comments on the Government's strategy against drug misuse and recommends, in connection with the Drug Trafficking Offences Bill (see pp 69-71), that there should be statutory protection for banks which volunteer information about dealings which they suspect are connected with trafficking. HMSO, £10·70. ISBN 0 10 206686 8.

The Urban Programme. Tenth Report from the Committee of Public Accounts, Session 1985-86. Department of the Environment. HMSO, £3·90. ISBN 0 10 208186 7.

Reclamation and Re-use of Derelict Land. Circular from the Department of the Environment, 10 December 1985. Sets out the Government's priorities for Derelict Land Grant expenditure. HMSO, £1·40. ISBN 0 11 751835 2.

© *Crown copyright 1986*
Printed in the UK and Published by
HER MAJESTY'S STATIONERY OFFICE
£1.80 net

Annual subscription including indices and postage £22·50

Dd 8844436 C10 APRIL/1986
ISBN 0 11 722822 2 Vol. 16 No. 4
ISSN 0039—6214